BUSINESS WEEK

Will the Inventory Boom Last? PAGE 19

Leon S. Keyserling: His economic thinking is also Truman's (pages 6, 25)

A McGRAW HILL PUBLICATION

JAN. 14, 1950

Photo by O. L. Snider from Shosta

A new day for poultry!

ONE OF THE REASONS why poultrymen are now raising better, healthier chickens is because feed manufacturers are putting an "ounce of prevention" as well as plenty of nutrition *right in the feed.*

For example, when 4 ounces of MEGASUL* 25% *Nitrophenide,* developed by Cyanamid's Lederle Laboratories Division, is incorporated in every 500 pounds of chicken feed, it helps flocks to build up virtually complete immunity to coccidiosis, a serious poultry disease.

The result for the poultryman is a consistently higher grade of poultry, fewer losses, and lower costs. And for you as a consumer—more poultry of a higher quality. This development is another example of how Cyanamid chemistry is helping agriculture and industry in the solution of problems for your benefit.

*Reg. U. S. Pat. Off.

AMERICAN Cyanamid COMPAN

30 ROCKEFELLER PLAZA, NEW YORK 20, N.

Materials for animal husbandry—one of the many fields served by Cyanamid

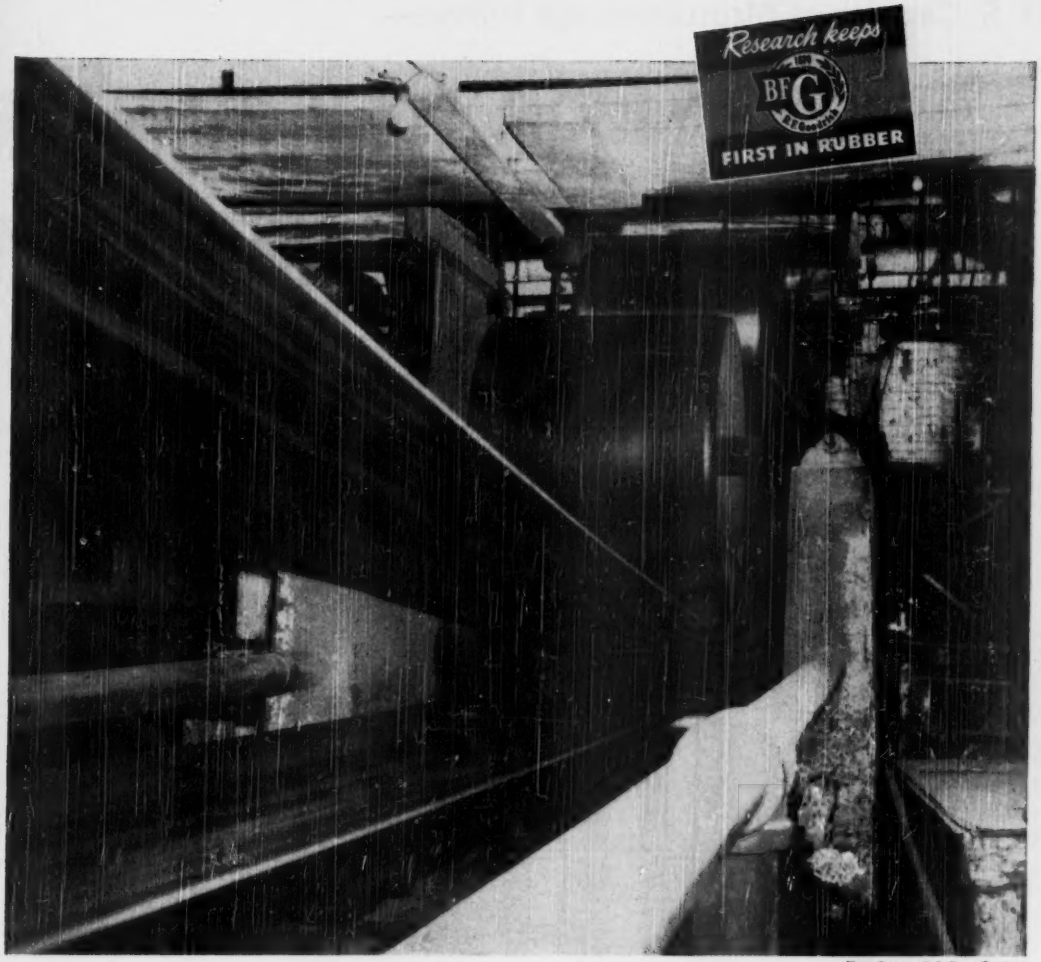


Photo Courtesy E. L. Bruce Company

They wanted a rubber band that would not stretch

A typical example of B.F.Goodrich product improvement

IF YOU think all rubber is alike, take a look at that 80-foot-long rubber band "worth its weight in gold" because it *will not* stretch.

That belt drives all the machinery in the world's largest wood flooring mill. It used to be a leather belt but that stretched so badly it had to be re-glued every 30 days. Too expensive; too much trouble.

Someone suggested a rubber belt — but wouldn't a rubber belt stretch even more? Not the way B. F. Goodrich makes it. Our engineers had developed a belt so strong it rarely stretches and then invented a way to lock belt ends together (Make a belt endless, it's called) with a splice which never tears loose. Belt users say it ends 90% of all belting troubles and failures, makes belts last many times as long on many drives.

In the flooring mill, the belt in the picture has been in use 5 years.

Not once has it needed any attention nor repair; it has not stretched at all.

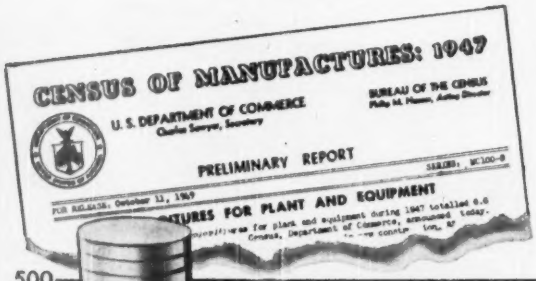
For long uninterrupted belt life, for constant machine operation with no delays for belting failures, the B. F. Goodrich Plylock Splice, as it is well named, has no equal. Your B. F. Goodrich distributor can make belts endless in your plant on the drive, or he can show your own employees how to do it. Call him. *The B.F.Goodrich Company, Industrial and General Products Division, Akron, Ohio.*

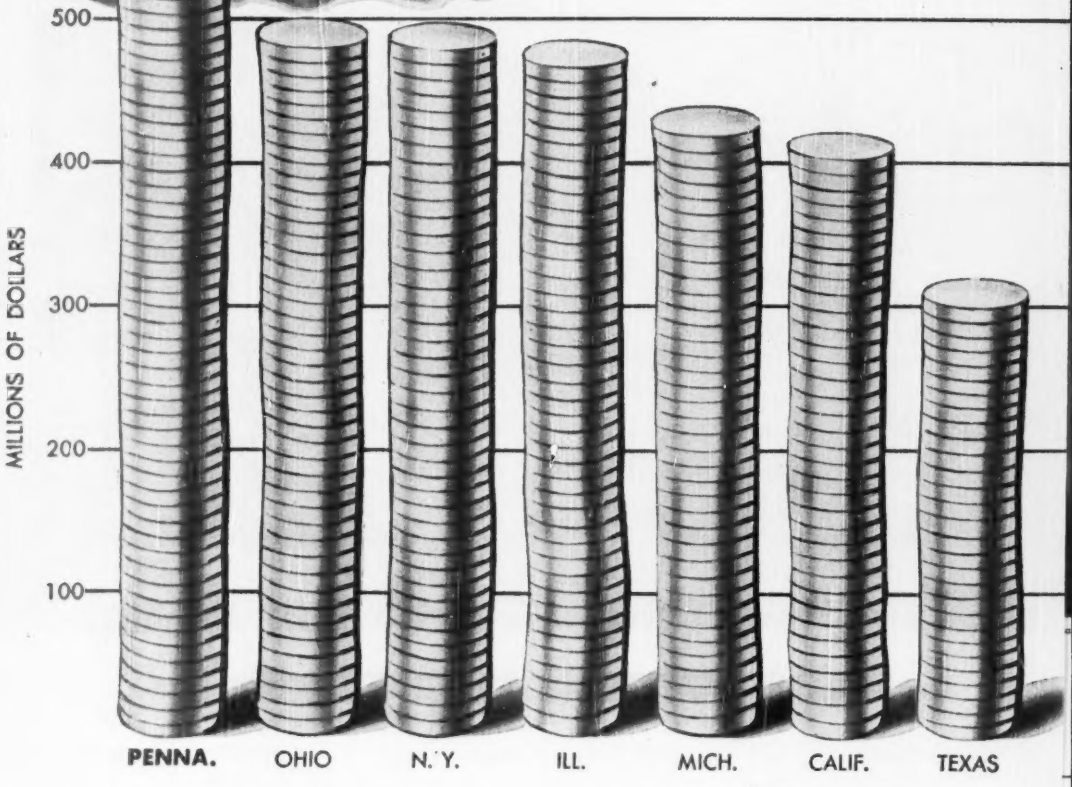
B.F.Goodrich

RUBBER FOR INDUSTRY

U. S. Census of Manufactures Proves—

INDUSTRIES ARE
NEW PLANTS





The trend continues

In the 1948 survey made by the Pennsylvania Department of Commerce, 1,086 companies reported that they planned to make even greater expenditures for new construction and equipment in 1948 than in 1947 or 1946. Preliminary reports made since then indicate that they equalled or exceeded their estimates, so the final reports on 1948 should show Pennsylvania again commandingly in the lead.

NVESTING MORE MONEY IN

N PENNSYLVANIA

THAN IN ANY OTHER STATE

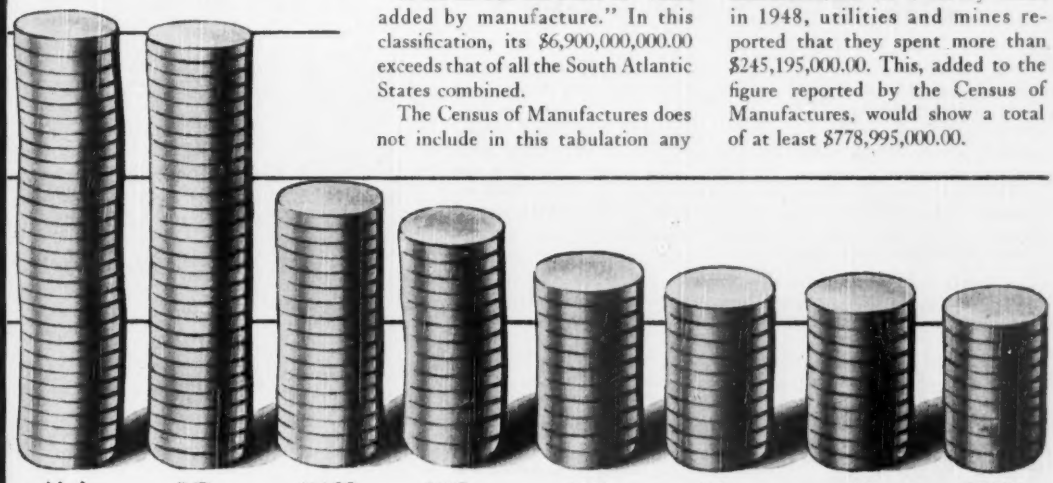
In its preliminary report (MC 100-8) released October 11, 1949, the Bureau of the Census shows that more than $533,800,000.00 was invested in new plants and equipment in Pennsylvania in 1947, the last full year for which reports are available.

This is more than for any other State in the nation. It is nearly five times as much as was spent for the same purposes in 1939.

Pennsylvania led all the nation in the amount of money invested in new plants alone. It led all but one State in the amount invested in new equipment and machinery.

It led all but one State in "value added by manufacture." In this classification, its $6,900,000,000.00 exceeds that of all the South Atlantic States combined.

The Census of Manufactures does not include in this tabulation any of the money spent for mines, public utilities, or any non-manufacturing facilities of companies engaged primarily in manufacturing, (such as expenditures in developing oil wells or distribution channels) nor does it include expenditures made by owners of plants or equipment leased to manufacturers. In a survey made in 1948, utilities and mines reported that they spent more than $245,195,000.00. This, added to the figure reported by the Census of Manufactures, would show a total of at least $778,995,000.00.



What This Means to You

The millions of new capital being poured into plants in Pennsylvania is the best evidence that many companies, large and small, find Pennsylvania a fine place for them to do business. We are sure you will find it equally fine for a branch plant of yours. We will be glad to help you gather any facts or figures you want on sites, labor supplies, raw materials resources, accessibility to markets, etc.

COMMONWEALTH OF PENNSYLVANIA

HARRISBURG

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THEODORE ROOSEVELT III, *Secretary of Commerce*

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THE MAN WHOSE NERVES WERE OUTSTANDING

by Mr. Friendly

His nerves stood out like horns from his head,
"Stand back, they *crackle!*" the poor man said.
A middle-aged moth with a cough, made him leap
And collapse in a shivering, shuddering heap.

His costs were up, his profits were down.
He couldn't even afford a new frown!
He wept and said, "It's not very funny
To have to spend *water* like money!"

"Relax!" said Mr. Friendly, "American Mutual can help you cut costs, up profits. We've helped some businessmen reduce premiums to 50% below the average rate for the field. And we've helped them increase profits at the same time!"

Well, the man signed up and he got so rich
He shivered and shuddered and started to twitch.
His nerves stood out, he couldn't relax,
And he'd faint when someone said, *"Income tax."*

(Moral: Some people are nervous no matter what)

AMERICAN MUTUAL

...the first American liability insurance company

A M

Be your own insurance expert! Get the facts — the why's and how's — of complete foolproof protection. Learn how to save on your present policies. It's easy... it's fun when you send for your free copy of "The All-American Plan for Business" or "The All-American Plan for the Home." Write American Mutual Liability Insurance Co., Dept. B-69, 142 Berkeley St., Boston 16, Mass. Branch offices in principal cities. *Consult classified telephone directory.*

THE DEPARTMENTS

THE COVER

A South Carolinian in the Democratic Party is as natural as mint in a julep. They just naturally go together; so, ordinarily, no comment is called for.

But there is one thing about Leon H. Keyserling that sets him apart from most of his fellow South Carolinians: He is a "Fair Deal" Democrat. In fact, he is the President's No. 1 adviser on things economic.

• **Acting Chairman**—Keyserling is the acting chairman of the Council of Economic Advisers. He came on the council some three years ago, became its acting head last fall when Edwin G. Nourse resigned. He will be 42 this month.

As a youngster fresh out of school (A.B. from Columbia, LL.B. from Harvard), he came to Washington in 1933 and landed in the office of Sen. Wagner of New York. There he stayed until 1937, getting his fingers into such things as social security, the National Labor Relations Act (Wagner act), and housing legislation. But he worked as an "expert," and got little attention outside of government.

• **First Fame**—In 1937 he moved to the housing agency, serving as counsel. It wasn't until 1944, however, that he first won real fame as an economist and planner. That was when he won a $10,000 award from Pabst Beer for an essay on postwar planning, "The American Economic Goal: A Practical Start Toward Postwar Full Employment." Two years later he was named to the Council of Economic Advisers, to advise the President on how full employment can be achieved.

His latest advice to the President went to Congress a few days ago. Mixed with it was some advice to business—advice that businessmen should note (BW—Jan.7'50,p16) whether they follow it or not.

—Complete story on the President's economic and budget messages starts on page 25. Cover photograph by Dick Wolters.

What does extra-heavy drilling cost you?

Acme-Gridleys will outperform old-fashioned methods every time—*and at less cost.* Sturdy basic machine construction and positive, direct camming permits pushing large diameter drills at heavy feeds while holding close concentricity—the .002 limit on the job illustrated is typical.

Unless your present machining methods can match this performance, you owe it to yourself to investigate what modern Acme-Gridley Automatics can do for *your* cost figures. May we give you more information? Ask for new bulletin T.P.-44, showing Top Performance on 44 jobs.

JOB FACTS

PART: Steel Shaft
SIZE: 10" x 2⅝" Diam.
MATERIAL: B 1112 Steel Bar Stock
MACHINE: Acme-Gridley 2⅝" RB-4 Spindle Automatic Bar Machine
OPERATIONS: 12
TOLERANCE: .002 Concentricity on All Machined Diameters
MACHINING TIME: 1 Minute, 30 Seconds

Acme-Gridley 4-6 and 8 Spindle Bar and Chucking Automatics • Single Spindle Automatics • Thread Rolling Machines Automatic Threading Dies and Taps • The Chronolog • Limit, Motor Starter and Control Station Switches • Counters • Solenoids Centrifuges • Contract Manufacturing

ACME-GRIDLEY BAR and CHUCKING AUTOMATICS built in 4, 6 and 8 spindle styles, maintain accuracy at the highest spindle speeds and fastest feeds modern cutting tools can withstand.

THE NATIONAL ACME COMPANY

170 EAST 131st STREET • CLEVELAND 8, OHIO

AMERICAN-Standard

First in heating . . . first in plumbing

Fine Finish

■ When you buy a furnace, boiler, or winter air conditioner, maybe the color and finish of the jacket doesn't seem too important. But it is. And that's why American-Standard — after careful testing and retesting — now offers its heating equipment in a new Forge Red jacket.

It's *better looking* — a hammer-type finish of soft-textured red that picks up highlights, harmonizes with almost any surroundings. It's *easier to clean* — because the new finish is smooth and lustrous, like that of a new car. It's *tough* — to resist scratching, marring, and bumps. And it *retains its color* without flaking or discoloring, despite the degree of heat normally developed deep inside the unit.

You'll find this constant attention to product quality—characteristic of every product and every *part* of every product—makes American-Standard your best buy. It also helps to explain why American-Standard is "First in heating . . . first in plumbing."

American Radiator & Standard Sanitary Corp.
General Offices: Pittsburgh, Pa.

LOOK FOR THIS MARK OF MERIT

Serving home and industry: AMERICAN-STANDARD • AMERICAN BLOWER • CHURCH SEATS • DETROIT LUBRICATOR • KEWANEE BOILERS • ROSS HEATER • TONAWANDA IRON

BUSINESS OUTLOOK

BUSINESS WEEK
JANUARY 14, 1950

Evidence accumulates that our postwar boom is self-sustaining at roughly 175 on the Federal Reserve Board's index of industrial output.

There are always a lot of "ifs" in such a statement. Prices, employment, wage levels, and many other elements enter in. Yet present sales, orders, and inventories tend to show such stability (page 19).

•

Rising inventories create new business. Things look lovely for a certain length of time—but a bump almost certainly follows.

Declining inventories put a brake on business, as we found out last spring and summer. And they are likely to send prices skidding.

Thus, stable inventory is comfortable—and we have that now.

•

This is the first period of even relative inventory balance we have had since the end of the war.

Manufacturers had a skimpy $18-billion worth of stocks in 1945. They built up physical inventory (and prices zipped up its dollar value) to a peak of $34.4-billion in January and February of 1949.

From then till October, they reduced stocks. The eight-month drop was $3.7-billion, or something over 10% (part of which was a price dip).

Prices now show little disposition to move either up or down. That encourages manufacturers to stock only their current needs.

And this price stability is another sign of supply-demand stability.

•

Whether the apparent stability of business proves real or illusory depends not a little on what happens to steel.

Operations this week were above 97% of capacity. Everyone presumes some steel buying is inventory-building. We have yet to learn how much steel we need in a high-level economy. It may be more than we think.

•

One way of estimating over-all output for 1950—or for any other year—is to try to figure changes, line by line.

Thus, this week's estimates by the Commerce Dept. on machinery and transportation equipment are of no little interest.

Value of all machinery should be a very high $19-billion, says Commerce. But that's down from about $20.1-billion for 1949.

Electrical machinery is seen declining, other machinery about even, and machine tools showing a good gain.

Other changes: autos, down 10% to 20%; shipbuilding, down 12%; locomotives and passenger cars up, but freight cars down over 50%; farm equipment, down by about 15%.

•

Consumer spending at a high level again in 1950 could take the curse off declining capital outlays by business—or even cause a turnaround.

Spending by consumers totaled just under $179-billion in 1948. This was almost matched in 1949 despite a modest decline in personal income. By late 1950, this persistent demand could cause manufacturers to add to capital outlays.

This might make 1950 into an even better year than it looks now.

Government spending will bolster the over-all economy. But federal orders don't encourage business to add so freely to plant and equipment.

•

Department stores will provide a slightly more exact measure of con-

sumer demand in 1950 than in 1949. That is because big stores got less than their normal share of the consumer's retail dollar in 1949.

Department-store sales last year were about even with 1948 in physical volume. Yet in dollars, they were off 5%.

Meanwhile, consumers spent as many dollars on goods and services in 1949 as in 1948. All retail sales dipped less than department stores'.

Auto sales were the big distorting factor. They made up way more than their normal share of retail sales—and department stores don't sell many autos. But this will be smoothing out from now on.

•

Railroad freight traffic wasn't much to shout about last year—and it isn't likely to be until coal production returns to normal.

Carloadings for 1949 are reported at 35,909,741. That's down more than 6,800,000 cars, or 15.9% from 1948 and the lowest for 10 years (page 76).

In contrast, motor haulers apparently chalked up a small gain (although the final figures on 1949 truck loadings aren't available yet).

•

John L. Lewis' coal miners can put a crimp in steel production in much the same manner they have in rail freight traffic.

They were demonstrating that this week in their "spontaneous" walkouts at the "captive" mines of the steel companies. Apparently the miners aren't going to put the matter to a test now; on Wednesday Lewis "suggested" that the miners resume work next week.

But there was an implication here that the miners might squeeze the steelmakers into signing up or causing all the mine owners to sign.

•

Ample supplies of petroleum products may not be popular with "independent" oil producers. (They blame lower domestic output on imports.) But the situation is a bonanza for the oil-burner people.

A. T. Atwill, president of the Oil Heat Institute of America, says sale of 570,000 power-driven oil burners in 1949 was second only to 1947. (1948 fell way off because of the oil shortage.)

For 1950, the industry expects sales to rise to about 670,000.

•

So much attention is concentrated on what might happen to the real-estate market later on that we may forget how good it is now.

Here's a reminder from the Real Estate Board of New York:

"Distress conveyances of Manhattan real estate during 1949 dropped to the lowest annual total for any year in the history of authentic statistics. . . . Dollar volume of encumbrances satisfied by change of ownership is lower than for any year except 1948."

•

Effects of European devaluation of American trade are beginning to bring howls from a few vulnerable lines; yet the actual rise in imports so far has not been large.

Imports went down in the first half of the year. They had started to recover even before September's devaluation; but, by November, they had no more than regained their early-1949 level.

Exports, of course, are down to the lowest since 1946. However, that is due more to dollar shortages than adverse effects of devaluation.

European nations still would be buying from us if they had the money.

ELECTRONICS at WORK . . .

A BUSINESSMAN needs a report on his company's production and inventory position, and he has to have it faster than ever before.

A SCIENTIST, working in the atomic energy field, needs to know the exact effect of relativistic mass increases in the slowing down of fast electrons.

AN AIRCRAFT DESIGNER needs to determine the theoretical stresses and strains brought about by the use of new-type controls on a jet-powered, supersonic plane.

Today, these intricate requirements and countless others are being met at amazingly high speed through the use of IBM Electronic Business Machines.

IBM pioneered in the application of the science of electronics to business machines . . . machines which benefit everyone through increasing the productivity of industry and science.

The device shown is the IBM Electronic Counter, basic unit of IBM Electronic Machines which compute arithmetical problems at tremendous speeds.

IBM

INTERNATIONAL BUSINESS MACHINES CORPORATION
World Headquarters Building
590 MADISON AVENUE • NEW YORK 22, NEW YORK

HANDY PURSE OR POCKET SIZE CARTON CONTAINS A MONTH'S SUPPLY OF MALLORY "A" BATTERIES

Here are cells so tiny that the evolution of hearing aids from the old two-piece instrument to the modern, self-contained unit can now be climaxed in the smallest, lightest, most inconspicuous hearing aids ever made.

Steady Work Makes Steady Progress

Hearing aids are smaller, lighter, more compact than ever . . . because Mallory Engineering has now evolved the smallest "A" Battery ever produced

This newest Mallory battery is another progressive step in the improvement of the Mercury cell, which Mallory pioneered for Army communications equipment during the war. By employing an entirely new principle in dry battery construction, Mallory has achieved new heights—in compact size, constant power, long life and resistance to heat and humidity—features which contribute greatly to today's modern hearing aids.

Mallory's unique combination of research and production facilities in electronics, electrochemistry and metallurgy is making important contributions to better living. Ordinarily unseen, yet of vital importance, Mallory products now are used extensively in television receivers, automobiles, automatic washing machines—and other products which help make life richer.

If you have a product that requires dependable battery power in capsule form—or a design or production problem within the scope of Mallory's other activities—get in touch with us. More than thirty years' experience in improving product performance is at your service.

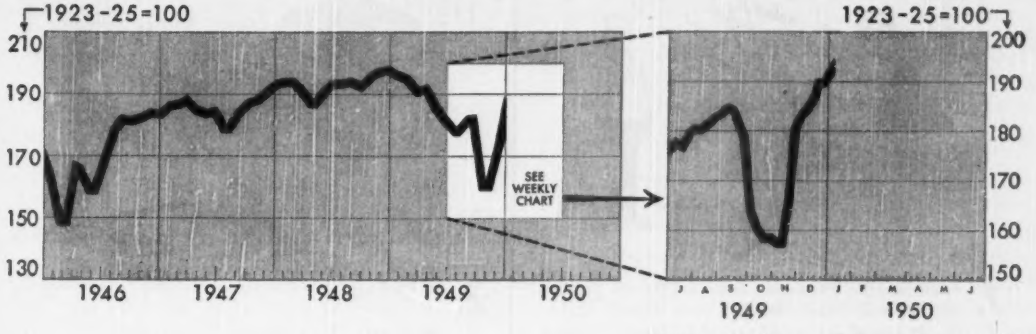
MALLORY

SERVING INDUSTRY with *Capacitors • Contacts • Controls • Rectifiers • Switches • Vibrators • Power Supplies • Resistance Welding Materials • Special Non-Ferrous Alloys*

Mallory Dry Batteries, The Original Mercury Batteries

P. R. MALLORY & CO., Inc., INDIANAPOLIS 6, INDIANA

FIGURES OF THE WEEK

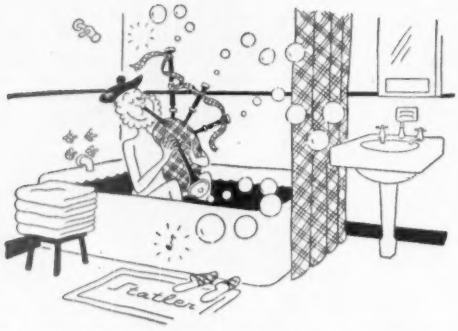


	§ Latest Week	Preceding Week	Month Ago	Year Ago	1947 Average
Business Week Index (above)	*194.7	†192.6	186.8	196.1	162.2
PRODUCTION					
Steel ingot operations (% of capacity)	97.2	96.1	94.1	99.3	97.3
Production of automobiles and trucks	118,588	†113,026	52,514	98,422	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)	$33,603	$30,236	$31,802	$23,109	$19,433
Electric power output (million kilowatt-hours)	5,695	5,493	5,881	5,742	3,130
Crude oil and condensate (daily average, 1,000 bbls.)	4,927	4,996	4,979	5,508	3,842
Bituminous coal (daily average, 1,000 tons)	1,251	1,507	1,542	1,770	1,685
TRADE					
Miscellaneous and l.c.l. carloadings (daily average, 1,000 cars)	64	63	70	78	86
All other carloadings (daily average, 1,000 cars)	40	40	46	50	52
Money in circulation (millions)	$27,551	$27,765	$27,699	$28,151	$9,613
Department store sales (change from same week of preceding year)	-3%	+14%	-8%	None	+17%
Business failures (Dun & Bradstreet, number)	161	109	191	128	228
PRICES (Average for the week)					
Cost of Living (U. S. Bureau of Labor Statistics, 1935-1939 = 100), Nov...168.6	....	. . .	168.5	172.2	105.2
Spot commodity index (Moody's, Dec. 31, 1931 = 100)	349.9	347.9	345.8	393.6	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	223.7	†222.9	225.7	279.5	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939 = 100)	300.5	†297.9	296.8	312.8	146.6
Finished steel composite (Iron Age, lb.)	3.837¢	3.837¢	3.705¢	3.720¢	2.396¢
Scrap steel composite (Iron Age, ton)	$26.42	$26.25	$27.25	$40.92	$19.48
Copper (electrolytic, Connecticut Valley, lb.)	18.500¢	18.500¢	18.500¢	23.500¢	12.022¢
Wheat (No. 2, hard winter, Kansas City, bu.)	$2.23	$2.21	$2.23	$2.27	$0.99
Sugar (raw, delivered New York, lb.)	5.70¢	5.68¢	5.76¢	5.71¢	3.88¢
Cotton (middling, ten designated markets, lb.)	30.90¢	30.70¢	30.08¢	32.36¢	13.94¢
Wool tops (New York, lb.)	$1.815	$1.780	$1.753	$1.698	$1.281
Rubber (ribbed smoked sheets, New York, lb.)	18.48¢	18.19¢	17.69¢	19.32¢	22.16¢
FINANCE					
90 stocks, price index (Standard & Poor's Corp.)	135.3	†133.0	131.3	123.3	78.0
Medium grade corporate bond yield (Baa issues, Moody's)	3.24%	3.26%	3.32%	3.48%	4.33%
High grade corporate bond yield (Aaa issues, Moody's)	2.57%	2.58%	2.59%	2.72%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average)	1½–1¾%	1½–1¾%	1½–1¾%	1½–1¾%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate)	1½–1¾%	1½–1¾%	1¾%	1½–1¾%	½–¾%
BANKING (Millions of dollars)					
Demand deposits adjusted, reporting member banks	47,975	†48,253	47,724	47,437	††27,777
Total loans and investments, reporting member banks	67,222	†67,421	66,938	62,638	††32,309
Commercial and agricultural loans, reporting member banks	13,851	13,904	13,807	15,361	††6,963
Securities loans, reporting member banks	2,128	2,207	2,401	1,728	††1,038
U. S. gov't and gov't guaranteed obligations held, reporting member banks	37,514	†37,469	37,153	33,484	††15,999
Other securities held, reporting member banks	5,035	5,058	4,973	4,185	††4,303
Excess reserves, all member banks	1,450	860	920	1,131	5,290
Total federal reserve credit outstanding	19,471	19,379	18,628	23,727	2,265

*Preliminary, week ended Jan. 7. †Revised. §Date for "Latest Week" on each series on request.
††Estimate (BW—Jul.12'47,p16)

1. Sandy Scott, a Scotchman, with his kilts and bagpipe, too, like other canny travelers, knew exactly what to do. He headed for the Statler, and he cried: "I find it nifty, they *really* treat me like a guest—and, better yet, *it's thrifty!*"

2. He tried a fancy highland fling on Statler's famous bed. "It's softer far than heather, and that's *soft!*" our Sandy said. "Eight hundred built-in springs and more sure promise a good night, and as a thrifty Scotchman should, I promise to sleep tight!



3. "Now Scotch and water," Sandy said, "have always mixed quite well, and when I'm in a Statler tub—Hoot Mon—that rings the bell! Yon stacks of towels snowy white, the water steaming hot, the luxury of lots of soap—all please this scrubbing Scot.

4. "My Statler meals," the Scot exclaimed, "are really bonnie nice. I've never had so much, so good, at such a thrifty price. Each dish was perfectly prepared . . . as tasty as I've seen . . . say, could ye pack and ship a chef to me in Aberdeen?

5. "I'm always glad to pipe a tune in Statler's praise," said Sandy. "It's close to business, shops, and shows, the station too is handy. And there's another reason it's the traveler's favorite spot . . . you only spend a little—*but you get an awful lot!*"

STATLER HOTELS: ***NEW YORK*** (FORMERLY HOTEL PENNSYLVANIA)
BOSTON • ***BUFFALO*** • ***CLEVELAND***
DETROIT • ***ST. LOUIS*** • ***WASHINGTON***
STATLER OPERATED: ***HOTEL WILLIAM PENN*** • ***PITTSBURGH***

WASHINGTON OUTLOOK

MORE THAN SMALL BUSINESS is involved in Truman's talk about helping small businessmen.

To Truman, every business is a small business —unless it ranks among the top handful of companies in its industry.

More than that: The whole thing is being tied in with the Fair Deal theories of how business should expand and how competition can be built up.

The scheme hasn't yet crystallized to the point of a White House-backed bill. But the official thinking on it is firm enough to give you a sense of direction.

•

A capital bank is the trick, backed with both government and private money.

Private lending institutions—banks, insurance companies, etc.—would be invited to invest in the securities of the bank. The government would guarantee them against loss on part, maybe even all, of their holdings.

The government also would "invest" in the bank, but the emphasis would be on private participation—private "risk" capital for private enterprise.

Loans would be made—long term, low interest—to companies needing that kind of financing.

This moves into RFC territory, and RFC will fight it.

Equity money, however, is the big feature. The bank would buy stock in its customers, probably nonvoting preferred. It's the equity angle that you will hear most about.

•

A regional setup is the aim, to reach all areas. But there's talk of a one-region start—New England—as a test. Whether the capital bank system would be tied in with the Federal Reserve system or operate independently hasn't been settled.

•

SCOPE OF THE SCHEME shows up in the policy behind it. There are some surprises.

The popular idea of a small business is the local laundry, the corner grocery, the little manufacturer on the side street.

But these aren't the fellows the Administration is thinking about.

•

Definition of "small" won't be limited to physical size. It will take into account a company's position in its industry.

In steel, for example, the idea is that any company below the top five or six in the industry should be eligible for aid from the capital bank, if other financing isn't available. In autos, it would be any company outside the Big Three.

•

Aim is more competition, with the capital bank underwriting it.

Thought is that the government can induce general expansion in an industry by helping a few of the small and medium-sized companies grow. Then the others will have to get going, or risk taking a smaller share of the market in the future.

That, at least, is the theory.

•

Once again, it's not just "small business," but all business.

Your own company might not qualify for aid under the scheme. But the project is important to you, nonetheless. It might be the way for your competitor to become bigger and stronger.

•

It's too soon to say what this Congress will do with the plan after Truman sends it up. It has some of the earmarks of a toned-down version of the Murray and Spence bills of last year. Congress may prefer to liberalize RFC loans, and let it go at that.

But the Administration is planning a big push to put some such program across, and it's the sort of thing Congress might turn to later—if business turns down.

•

CONFUSION ON ANTITRUST isn't limited to businessmen. Government is in on it, too.

This week, FTC attorneys had to go before the Supreme Court and do the arguing on one of their cases. Reason: Justice Dept. attorneys, who usually do the lawing for all government agencies in high court cases, refused to take FTC's side.

•

It's the Standard Oil of Indiana case. FTC is asking the Supreme Court to uphold lower court decisions which found the company guilty of "lessening competition."

Standard had cut the price of its gas to some jobbers—to prevent a competitor from taking them. FTC interpreted this as a violation of the Robinson-Patman act, which says, in effect, that a seller must give all customers the same price for like quantities and qualities of goods.

Justice disagrees with the interpretation—

holds it was not the law's intent to punish a seller for meeting a competitor's price in good faith.

There's some humor in it, but not for the businessman caught up in the confusion.

•

THE BUSINESS SIDE OF ARMS AID can now be seen—in terms of what will go to Atlantic Pact nations and where the impact will be felt here at home.

This is the billion-dollar program Congress O.K.'d last year. It's about ready to roll.

Munitions will get the great bulk of the money—mostly Army-type equipment. Nearly $750-million will go for this.

Machine tools for use in arms plants abroad will run to only $29.5-million. But there will be more for them in the second instalment of aid, which Congress will vote this year.

Raw materials will total about $50-million, mostly for metals.

Orders will go out by midyear, and will create business for the second half.

•

HYDROGEN BOMBS—the new atom weapon you have been reading about—probably will be produced.

There isn't much more that can be said about it. It's a top secret, and the sensational news stories are little more than speculation.

The scientists do say it's "feasible," and they say it with confidence. They have some measure of the destructive force of such a bomb, and it's shocking. Cost isn't considered prohibitive—it would be much less than the original Manhattan Project.

Decision to go ahead and produce the bomb is up to Truman. He's got the facts on what's involved. The expectation is that he will O.K. it—as a "protective" measure.

Chances are you won't see any official word on the decision. The project can be fitted into the present framework of AEC.

•

PUBLIC POWER bulks large in the coming campaigns, as well as in Congress.

The politics will be hottest in these spots:

• New England: Truman's promise of a TVA-like deal there (page 21) is aimed at holding Massachusetts and Connecticut for the Democrats this fall. Republicans are strongest there in off-years.

• Southwest: Fair Dealers want to beat Sen. Thomas of Oklahoma with Rep. Monroney. The issue will be Thomas' opposition to government transmission lines for the Southwest Power Administration.

• California: Sen. Downey is out of step on the big Central Valley project. Public-power men in government hope to see Rep. Helen Douglas get his scalp, with power as her weapon.

But Congress won't vote new projects this year. Government power expansion will be inside present systems.

•

THE EASY MONEY POLICY—artificially pumped-up credit and cheap interest rates—got a slap in Congress this week.

Note the report of Sen. Douglas' subcommittee on government monetary and credit policy (page 20). It sided with Eccles in his dispute with Snyder over whether the Federal Reserve System or the Treasury should have the big say on the supply and cost of credit.

The Treasury has been calling the tune—following a policy which makes it easy to refund the huge debt and raise new cash for deficit financing. The report labels this an inflation danger.

What it proposes is that Congress strengthen the Federal Reserve—give it clear-cut responsibility to regulate the supply of credit in the interest of economic stability.

The report should put some starch in the Reserve Board. But the legislation probably won't get far.

•

ECONOMY CRIES IN CONGRESS always hit a high pitch in the wake of a new budget.

That's especially true when the budget shows as much red ink as Truman's latest: spending, $42.4-billion; receipts, $37.3-billion; deficit, $5.1-billion.

Don't overlook this. The budget places the debt at $264-billion by June 30, 1951. In early 1946, the debt approached $280-billion. But $20-billion-plus of that was accounted for by cash in the till. So in terms of "real" debt, the new budget will set a record—for war and peace.

Congress will make some motions toward cutting spending. The plan is to handle the budget in a single appropriation bill—all the usual bills rolled into a single measure. Idea is that when Congress sees the total all at one time it will be so impressed that it will cut.

But you needn't expect much saving to come out of this. It's difficult for Congress to cut, even when the White House supports it. And it's just about impossible when the White House opposes.

Sperry Loran joins North Atlantic weather patrol

■ This Coast Guard Cutter... one of the ocean station vessels in the International North Atlantic Weather Patrol... maintains an assigned position far at sea *regardless of weather conditions.*

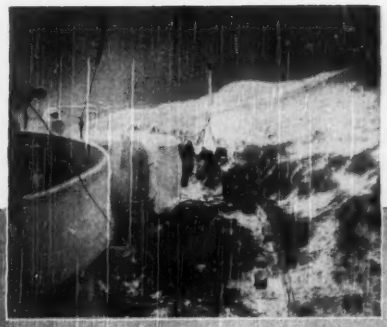
■ Sperry's Loran provides these ships with accurate position data . . . enabling them to remain on their assigned station at all times, even when overcast weather makes it impossible to obtain celestial observations.

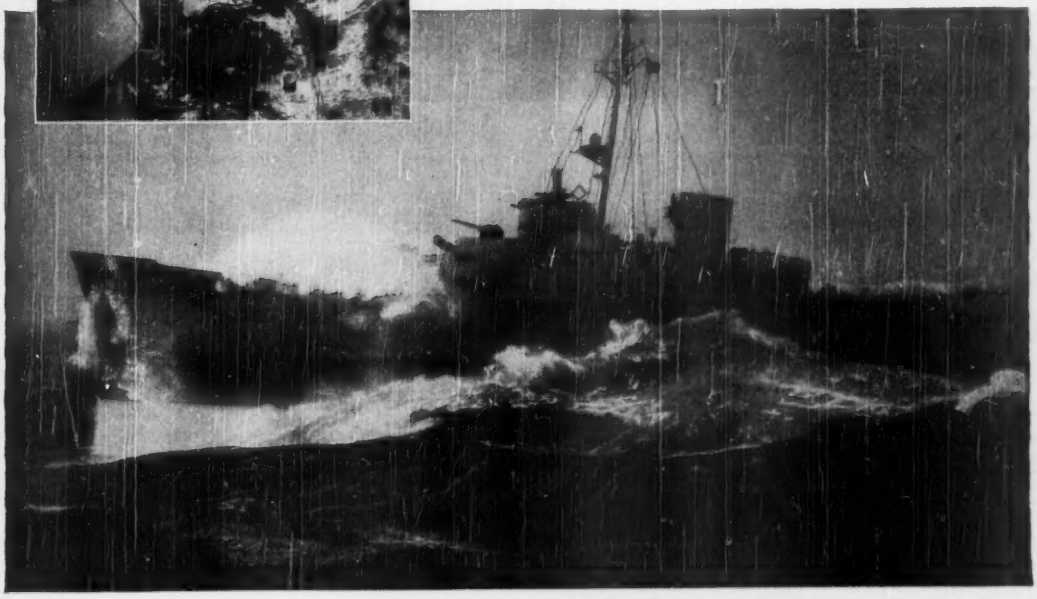
■ The job cut out for ocean station vessels is an important one—and arduous. Besides supplying meteorological information to the Weather Bureau, they monitor international distress frequencies for emergency and safety communications, and furnish search-and-rescue service to surface vessels and transoceanic aircraft.

■ Among other services, these Coast Guard Cutters — with their radio direction finder beacons — serve as navigational aids to aircraft . . . help surface ships determine position.

■ In foul weather, the urgency of these services increases. Regardless of fog, rain or snow, however, Coast Guard personnel can get quick, accurate fixes with Sperry Loran.

■ Write our nearest district office for additional information on Sperry Direct-Reading Loran.





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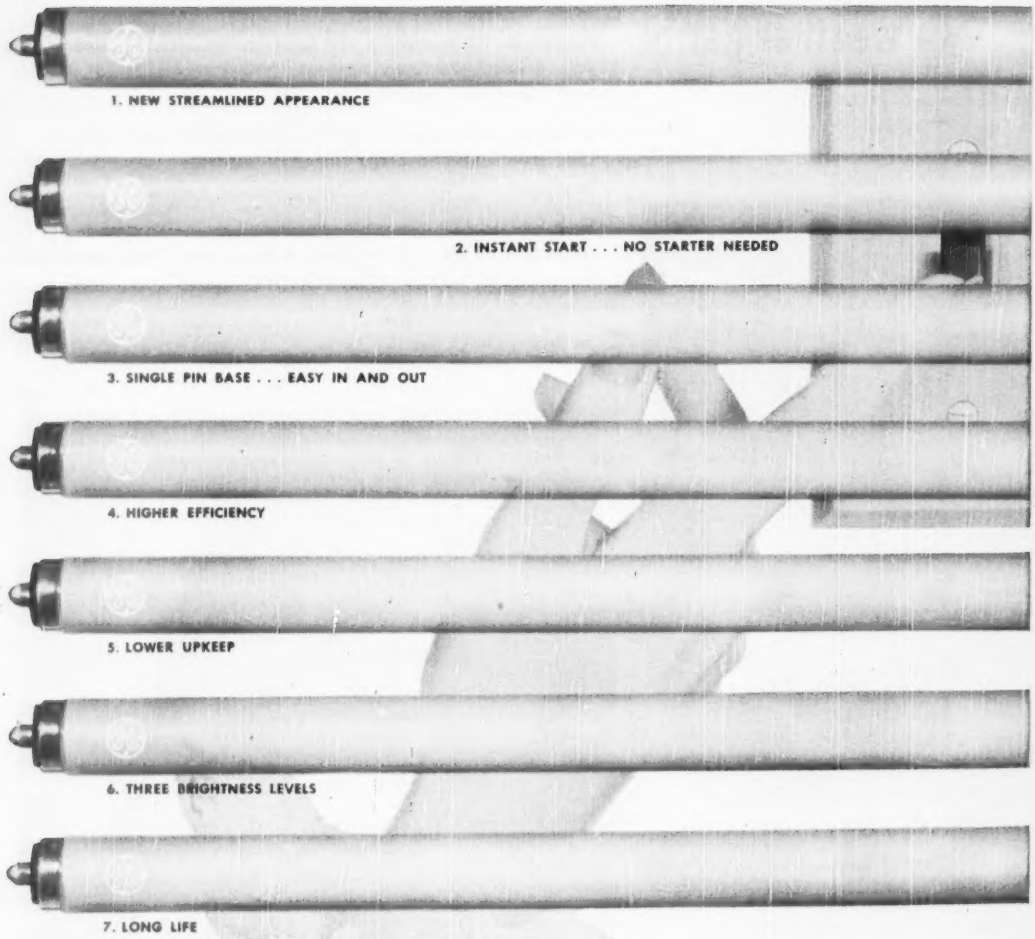

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GENERAL ELECTRIC

BUSINESS WEEK

NUMBER 1063

JANUARY 14, 1950

Boom Is Running Under Own Power

• There's more than an inventory boom behind the present business recovery.

• Good business of the past few months is solidly based on real demand from consumers.

• Inventory restocking triggered the recovery from last summer's doldrums, played only a minor part in keeping it going.

• Inventories today—retail inventories and manufacturers' inventories—are on a lean healthy basis. Even if sales dropped moderately, few businesses could live off their shelves.

• These are the conclusions from a Business Week survey this week of business inventories across the country. They are hopeful conclusions for the months ahead.

Plenty of businessmen are convinced that the postwar boom is now based almost entirely on replenishment of inventories. They argue that stocks were liquidated close to the vanishing point during the mild recession last spring and summer. Now, they say, business is building up its inventories again. Once stocks get back to normal, orders will drop—and the boomlet will be over.

• **Stronger**—But a careful check of industry this week shows that inventory is not building up significantly anywhere. The typical businessman thinks that somebody else may be getting overextended; he himself is playing it safe.

This means that the underpinnings of the new boom are a lot stronger than they looked at first. An inventory boom always dies a violent death sooner or later. But when goods are moving out one end of the industrial pipeline as fast as they are going in the other, there doesn't have to be any end to the process.

This week, BUSINESS WEEK reporters asked retailers, wholesalers, and manufacturers all over the country just where they stood on inventory. Here are some of the things that the survey shows:

Businessmen generally think that inventories are now "just about right." And by that they mean that stocks are at the minimum necessary for comfortable operation. This applies both to retailers and manufacturers.

Most companies are neither building inventories nor cutting them. They are matching purchases against sales so that stocks remain almost constant.

Less liquidation of inventory showed up during the 1949 recession than most people think. The big cut was in forward orders, not in stocks on hand. Backlogs in many lines were almost wiped out, but the reduction of stocks was much less drastic.

A drop in sales during 1950 would not set off any proportionate liquidation of present inventories. Most companies say that, if they are going to operate at all, they have to keep a minimum amount of materials on hand.

A jump in sales, a moderate one anyway, would generate little additional inventory building. The majority of manufacturers say they could handle a 10% increase in business without carrying a larger stock. Retailers would make some increase but not in full proportion to the rise in sales.

All this fits together into a picture of relative stability.

• **Steel, Textiles**—Steel is probably an exception. Steel users are still feeling the effects of the strike. They are gradually building back the stocks that they used up. The extra demand is keeping the industry about as close to capacity as it can get in peacetime, and steel men doubt that demand can stay high enough to maintain that pace indefinitely. But even in the case of steel, many manufacturers insist that only a dribble is going into stocks; the rest is going right out of the plant again in finished goods.

Textiles may also be a spot where inventory is building up quietly. The textile business—especially cottons—is so ramified that stocks can pile up for months before anybody finds out about it.

• **Case History**—Outside of steel and textiles, most manufacturers tell exactly the same story.

Take, for instance, a big manufacturer of industrial specialties—valves, fittings, gages, and the like. This company started 1949 with a big backlog of orders and a heavy inventory. Early in the year, the backlog began to shrink and the management started to worry about its oversized inventories. It promptly canceled all its forward orders for materials.

Through the spring and summer, the company's stocks gradually came into line with deliveries. Around Sept. 1, two things happened: (1) Sales picked up again; (2) the management saw the steel strike coming and stepped up orders on its steel suppliers.

During the strike, inventory went down a little. After the strike, the company began rebuilding to a comfortable level. But, by the time inventories were back in line, sales had picked up still more. As a result, the company found that it was buying just about as much as it was selling, and it let its orders ride along at the same rate.

• **Today**—As things stand now, the company has stocks of raw materials and finished goods just about where it wants them. If business increases, it will buy more materials, but it won't increase inventories. If business drops, it will scale down its orders but it will make only a small cut in its stocks.

Other manufacturers say much the same thing.

• **Retail Picture**—Retail inventories are also down fairly close to bedrock. Christmas business in 1949 finally came out all right. But the season was slow starting, and for weeks all the big retailers trimmed inventories as low as they dared. Hence, when the traditional buying rush finally got under way, it cleaned the stores out.

Department stores are now closing the books on 1949, and inventory is at the seasonal bottom. After the end of January, they will start ordering for the Easter trade. Most of them say they are figuring on first-rate business, but they won't stock up any more than they have to. Whenever they can, they will

put in a modest initial order and plan to reorder if sales go well.

Appliance dealers say that they are a little short of inventory. The steel strike cut production just when sales were beginning to climb. Since the strike, most dealers have been selling everything the factories could deliver.

• **All to the Good**—From the standpoint of business in general, all this is very much to the good. The quick recovery from the 1949 recession probably started as a move to rebuild inventories. But with inventories stabilized, the boom is now running under its own power again.

FRB for Money Boss, Douglas Group Urges

The Federal Reserve Board got strong support this week in its battle with the Treasury for control of monetary policy.

The Douglas joint economic subcommittee sides with Reserve Board member Eccles in his complaint that John Snyder's Treasury is concerned too much with managing the debt cheaply—not enough with easy money's impact on the economy (BW—Dec.17 '49,p19).

• **The Boss**—In its report to Congress, Douglas' committee recommends that FRB be given the prime power and responsibilty for regulating money and credit; the Treasury then should adapt its funding operations accordingly.

• **Reserve Requirements**—Douglas' subcommittee also threw its weight on the side of the Federal Reserve in the hot controversy with the bankers over reserve requirements. Its recommendation: that all banks—Federal Reserve members and nonmembers alike—which accept demand deposits be subject to the same reserve requirements.

To sweeten this pill for the bankers, it proposes that reserve requirements be graded by type of deposit, not by geographical location of banks. That way, the small bank in a city where requirements were high would not be so hard pressed.

Other recommendations:

• Make it plain that the power to change the price of gold belongs to Congress; call a halt on buying silver.

• Set up a monetary and credit council headed by the chairman of the Council of Economic Advisers to coordinate government lending policies.

• Increase the prestige of FRB members by cutting the number from seven to five, and raising salaries.

• Make Douglas' subcommittee a continuing body to study such things as increasing coverage of Federal Deposit Insurance Corp., ways of making taxing and spending policies more flexible to offset business swings.

COAL MINERS at Pittsburgh Consolidation walked out this week along with miners in the steel-owned captive mines. Lewis soon sent them back to work, left the government . . .

Hunting for a Coal Crisis

Need to find a weapon against John L. Lewis, more than any real coal shortage, accounts for government moves in situation created by three-day week in the mines.

It's easy to be bewildered over coal this week.

On the one hand you find such signs of serious trouble as these: an Interstate Commerce Commission order directing most of the country's railroad lines to cut service on coal-burning passenger runs by 33⅓%; and preparations in Washington for a court injunction against John L. Lewis' United Mine Workers.

• **Paradox**—All that has the sound of crisis. But against it you can set these facts: Nowhere in the country is anyone actually out of coal. A year ago, in another warm January, most of the mines were working two- and three-day weeks for strictly market reasons. And today—on the statistics—coal production matches consumption.

• **Figures**—Weekly production on the three-day week ranges from 8½-million tons to a little over 9-million tons (as compared with a normal 12-million on a five-day week). In November, the most recent figures, consumption totaled 34.6-million tons.

Consumption may have been a little higher in December, but stocks were in good shape. On Dec. 1, industrial stocks averaged 51 days, ranging from 24 days for the railroads to 87 for electric utilities. Retail dealers had 5 days supply, normal for the season. Over-all, the country had 39 days' supply above ground.

• **Why Cut Service**—The railroads had the lowest industrial stocks but plenty of coal. Weeks ago they were empowered to seize coal cars at the mines. The limitation on service was a conservation measure. ICC Chairman Johnson told BUSINESS WEEK, "I am not worried about anything until February. After that, in some of the northern and northwestern areas there may be a shortage."

Elsewhere, the coal situation is a nuisance. Some industrial users, unable to get coal from regular suppliers, are paying 50¢ a ton premiums, taking inferior grades. In St. Louis, hit simultaneously by a quickie strike and a cold snap, dealers warned of empty yards. Dealers everywhere see customers turning to other fuels.

And in Washington, NLRB Counsel Denham's lawyers, doubtful that they can make a case for a health-and-welfare emergency, are shaping up their case for a court order enjoining the three-day week as an unfair labor practice. Whether that will prove to be a weapon to defeat Lewis' subtle strategy (BW—Jan.7'50,p61) will be up to the court—probably next week.

Northeast Hydro

President's proposal would develop power for New England from Passamaquoddy, St. Lawrence, and Northeast's rivers.

Nearest thing to a surprise in President Truman's State of the Union message last week was his proposal for a large-scale federal power development in New England, which so far hasn't been touched by government power projects.

No definite program for a single authority similar to TVA has been suggested. The President's plan consists of a number of separate projects and is still in its early stages.

• **Power Sources**—The Passamaquoddy project to harness the extremely high tides of the Bay of Fundy, northeast of Maine, and a series of hydroelectric installations along major New England rivers are the main points of the program now. Power from St. Lawrence seaway plants would also be included.

The Passamaquoddy project has been under consideration before. It was a pet Roosevelt project in the thirties but early work was abandoned. Congress, in its last session, appropriated $30,000 as this country's share of a new preliminary study to be conducted jointly with Canada.

The Penobscot, Kennebec, Androscoggin, Connecticut, Merrimac, and other New England rivers would be harnessed to provide a large share of the project's power.

Having Truman spring the idea in his message last week wasn't the way Democratic party leaders originally planned it. The plan was supposed to have been presented at a meeting of party bigwigs last November in Boston. But the death of the conference chairman and other difficulties made party leaders cancel the meeting. That's why Truman let it out in his State of the Union message.

• **No Shortage**—Once the scheme begins to take shape as a definite program, a lot of thorny problems are sure to come up. In the first place, a lot of people in New England don't think that there is any urgent need for power there.

Some observers maintain that high power costs in New England are driving industries out of the area. But the New England Council and the area's utilities don't see it that way. They want these critics to prove their claims.

• **How Much**—But even assuming a need, there's plenty of disagreement on how much undeveloped power exists in the area. The New England Council ran a survey to find out, came up with a figure of about 500,000 kw. of undeveloped hydroelectric power potential.

The Federal Power Commission ran its own survey, but its results didn't jibe with the council's. FPC's survey shows that the area has a potential of 3,119,000 kw., including 220,000 kw. from Passamaquoddy. Main reason for this apparent disagreement is that FPC surveyed only multipurpose projects, combining navigation, flood control, and power, while the council counted only prospective "cheap power" developments.

• **Agreement**—But there's accord on at least one point; FPC and the council both admit that New England's future power needs can't be met with hydroplants alone. New steam powerplants will have to be built. Private utilities in the area are already building new power installations—they have passed the midpoint of their $502-million postwar expansion program.

Plug for Housing Co-ops

Bill for middle-cost housing seeks private capital for housing cooperatives. And rental housing would keep its liberal mortgage insurance. But building results would come slowly.

The President has taken a new tack on his middle-cost housing course. This time, the Administration wants to move into the cooperative housing field. If the plan goes through, it will offer a new top-grade outlet for the big-time investor, such as insurance companies.

The program, as spelled out in the Maybank and Spence bills introduced this week, is to guarantee loans and give technical help to housing cooperatives and other nonprofit housing ventures.

• **New Agency**—The government would create a National Mortgage Corp. for Housing Cooperatives to handle the loans. The corporation would be a mixed-ownership business, partly government, partly private.

To get initial funds, the corporation would sell up to $100-million of preferred stock to the Treasury.

But the main financing—and the most important from the private investor's angle—would come from an issue of up to $2-billion of government-guaranteed bonds, exempt from state and local taxes.

With money from these sales, the agency would make loans to co-ops on 50-year mortgages at 3% or thereabouts. Every borrower would have to buy capital stock in the National Mortgage Corp. in an amount equal to 7½% of his loan. This would give the corporation additional funds, which would eventually be used to bail out the Treasury's holdings.

The private financing proposed in the new bills takes the place of direct government lending in the Sparkman measure reported out last session. Federal housing officials never liked the direct-loan idea.

• **Cooperative—But Slow**—The bill defines a cooperative housing corporation as one that must limit permanent occupants to members of the corporation—the stockholders who put up the capital to put up the building. A private nonprofit corporation could erect dwellings that would be leased or sold to occupants at approved prices.

Such projects get under way slowly. So the co-op deal wouldn't show up much in new housing this year, or next. Labor unions, veterans groups, and welfare organizations have been the heaviest backers of low-cost financing for co-ops. The proposed 50-year mortgage terms might fill their bill—but it would be over the long term.

• **Rental Project**—Rental housing is coming in for its share of Administration attention. And chances are that the Fair Deal's rental program would pay off in new housing faster than its co-op plan.

Private building of rental housing is due to lose one of its props soon. Section 608 of the National Housing act allowed a mortgage up to 90% of estimated costs of the completed project (including land, utilities, and the like). Since a skillful builder could usually beat such an estimate by a good margin, Section 608 paid off lushly. During 1949's record housing year, it accounted for 11% of all dwelling units started.

But that section was an emergency measure; it's due to expire Mar. 1. Both the Administration and Congress are quite willing to see it die.

• **Substitute**—The new rental bill would in some way fill the hole left by Section 608's demise. It would liberalize present FHA mortgage insurance by raising the insurance limits from 80% to 90% of the value—not costs—of the completed property on projects that cost $7,000 or less per apartment. For the next $3,000 of cost, insurance would apply on 60%. Ceiling would be $10,000.

Growing families would get a break from another provision of the bill. If a dwelling project averages at least 4½ rooms per unit it could carry a mortgage up to $8,100 per unit; if the apartment average runs smaller, the per-unit mortgage would be held down to $7,500.

	General Motors		Ford	Chrysler
Under $1,500	 Chevrolet: $1365		 Ford: Six, $1368; Eight, $1438	 Plymouth: $1465
$1,500 to $1,750	 Pontiac: Six, $1622; Eight, $1687	 Oldsmobile: 76, $1710		 Dodge: $1750
$1,750 to $2,000	 Buick: Special, $1825	Oldsmobile: 88, $1860	 Mercury: $1939	 De Soto: $1881
$2,000 to $2,250	Buick: Super, $2006	Oldsmobile: 98, $2165		 Chrysler: $2021 and $2206
$2,250 to $2,500	Buick: Roadmaster, $2465		 Lincoln: $2440	
Over $2,500		 Cadillac: $2715 to $4460	Lincoln: Cosmopolitan, $3025	Chrysler: $2503 and $2613

What Do You Have to Pay For a Four-Door Sedan?

Here is a checklist you can use in shopping for a car or in following the 1950 auto sales battle now getting underway.

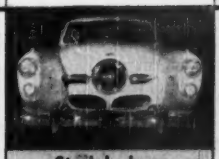
If you are planning to buy a new pe sonal car in 1950, or are planning a fle purchase, the boxscore above may he you narrow your field of choice.

The prices are 1950 factory list pric at the city of manufacture for the chea est four-door sedan in each line. (E ceptions: Crosley price is for a two-do sedan; Willys price, a station wago Cadillac and Hudson Super Six pric are 1949.)

To get the approximate delivered pri

And the Seven Independents

Crosley: $803



Studebaker: Champion, $1577

Willys: St. Wgn., $1595

Nash: Statesman, $1623

Hudson: Pacemaker, $1795

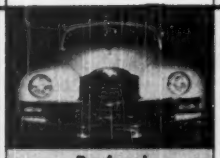
Kaiser: $1874

Studebaker: Commander, $1887

Nash: Ambassador, $192

Hudson: Super Six, $2060

Studebaker: Land Cruiser, $2180



Packard: Eight, $2118

Frazer: $2253

Packard: Super Eight, $2473

Packard: Custom 8, $3744

your city you need to add these items:
Federal taxes—About 8% of the fac-
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Transportation—About 10¢ a mile
n the city of manufacture.
Dealer make-ready—From $10 to $25.
State and local taxes.
Accessories—Biggest item here is the
omatic transmission offered on most
s. It is included in the factory list
e only on Buick Roadmaster, the
er Chryslers and Packard Custom.
Otherwise you pay from $94.60 on Dodge to $225 on Packard. Radio and heater on many makes will jump the price another $200.

Postwar shifts in competition are most noticeable in the lowest price field. In 1942 Chevrolet led off with a four-door sedan factory-listed at $800. Comparable prices for its competitors were Studebaker Champion, $804; Ford Six, $850; Ford Eight, $885; Plymouth, $889; Nash 600, $893; Hudson Six, $905.

Today Studebaker, Nash, and Hudson are out of the Chevrolet field, although Studebaker remains within hailing distance, and Nash promises to return this spring with a new, lower-priced model.

In 1942, in the next-to-cheapest arena, Dodge factory-listed a four-door sedan at $998. Right behind it came Pontiac at $1035 and Mercury at $1065. Today Dodge is priced $128 above Pontiac. And Mercury, $317 above Pontiac, has moved into the next higher bracket.

New Jobs for Actuaries

Industrial pension plans open brand new field for members of obscure but important profession. Requirements are so stiff that there may be a shortage in face of new demand.

The current labor drive for "pension plans" is having some interesting side effects. It has already, for example, opened up a whole broad new field to an obscure but important group of specialists—the actuarial profession. For only if an actuary is at the helm can a pension plan be sure to meet the promises it gives employees.

• **Get Ready**—Last week a group called the Conference of Actuaries in Public Practice was scheduled to hold its first annual meeting. The group had been formed only a few weeks before. And the main reason for its formation was the growth of industrial pension plans.

What is an actuary, and why is he so important? In the main, the actuary works with insurance companies; the big ones usually have large staffs of actuaries as permanent employees. They are the men who determine how big a premium you will pay, what benefits are included in the policy, and how much money the company must set aside to guarantee the payment of such benefits many years in the future. All these calculations are based upon mortality tables, which they also prepare. That means that if an actuary guesses the death rate too low, a company can lose money so fast that it dies itself. Thus, the fate of an insurance company and its policyholders literally rests in the hands of its actuaries.

• **Requirements**—Obviously, a man who carries such a responsibility must be a mathematical whiz. But to do his job thoroughly, an actuary must also be a lot of other things. In effect, he must be more of a businessman than a mathematician. Not the least of his duties, for example, is to explain complicated problems to other businessmen and to policyholders in language that anyone can understand. And he must have top-flight judgment in social, economic, and business matters.

As these things indicate, only a man of the highest qualifications can make the grade as an actuary. Here's what a man has to go through to get to be one:

• **The Long Road**—The training starts in college. The student's major should be mathematics. A general course in business accounting is recommended, besides a full-year course in economics.

But these are just the fundamentals. An actuary's most far-reaching value is perhaps his ability to make sound judgments. And that means that his cultural foundation must be as broad as his mathematical knowledge. So a thorough grounding in English composition is essential. Courses in philosophy, foreign languages, and other cultural subjects should also be fitted in.

• **First Exams**—While he is still in college trying to digest all this, the candidate can make his first stab at trying to become an actuary. If he can pass a series of eight stiff examinations, he will become a full-fledged member of the Society of Actuaries.

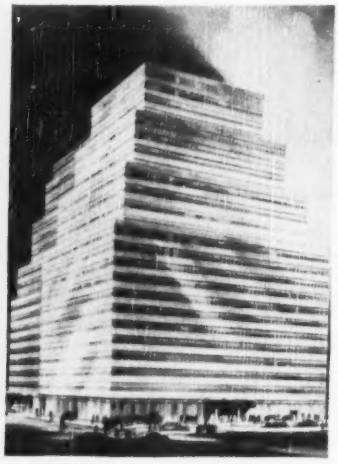
First, there are three preliminary exams which the candidate can take while still in college. These are: (1) a language aptitude exam; (2) a general mathematics exam; and (3) a special mathematics exam (on finite differences, and probability and statistics)

• **Five More**—Next, the potential actuary must pass two more exams. These are six hours each in length, cover such things as the mathematics of life contingencies and the construction of mortality tables. If he passes these, the candidate becomes an associate member of the Society of Actuaries. And after passing three more exams (also of six hours each and covering almost everything about insurance that an actuary must know) the candidate becomes a fellow of the society.

• **Shortage**—This rugged preparation has kept a lot of people from becoming actuaries. In fact, at last count there were only about 600 people who are fellows of the Society of Actuaries. So now, with the need for them spreading into industries which have pension plans, a shortage may develop. The society, therefore, is urging college students to build the qualities of business judgment necessary to become an actuary. The reward for all the preparation is the promise of a fat salary.

The industrial actuary functions in about the same way as an insurance actuary. He figures out such things as the eligibility requirements of the plan, the normal retirement age, the withdrawal benefits, the proportion to be paid by employees, etc. One of the most important items is the composition of the working force. If it has a lot of women, the premium rate will have to be higher, because women live longer than men.

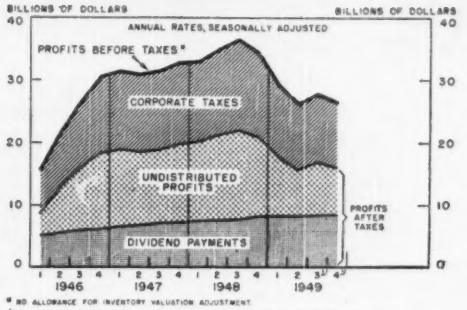
• **Two Goals**—In figuring these things, the actuary will have two major goals: (1) to set aside a fund which will be big enough to meet the plan's future promises, small enough to keep everybody from going broke; and (2) to set it up in the kind of reserve fund which will give the company full tax advantage.



Manhattan Hotel Gives Way to Office Building

Another famous New York landmark is giving way to the high cost of land in Manhattan. The Ritz-Carlton Hotel (left) will be torn down, and on its Madison Ave. corner will rise a new 25-story office (right). The Ritz, finished in 1910, has recently suffered from an ailment common to many hotels built in the same period: too much opulent public space. The new office building, to be built by Uris Brothers, New York builders, will have a rentable area of 760,000 sq. ft. and a four-story basement garage for 600 autos. Meanwhile, the William Waldorf Astor estate, owner of the Ritz-Carlton, has already started a new Carlton House further up Madison Ave.

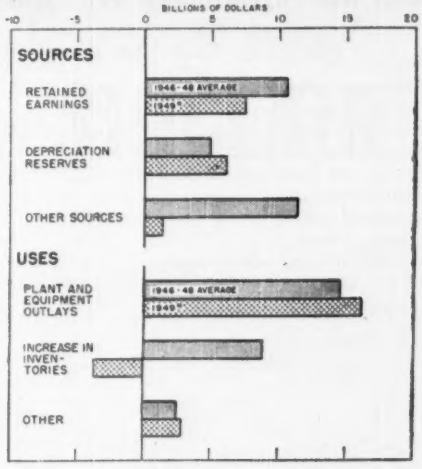
CORPORATE PROFITS



* NO ALLOWANCE FOR INVENTORY VALUATION ADJUSTMENT.
PRELIMINARY ESTIMATES BY COUNCIL OF ECONOMIC ADVISERS, BASED ON INCOMPLETE DATA.

SOURCE: DEPARTMENT OF COMMERCE (EXCEPT AS NOTED)

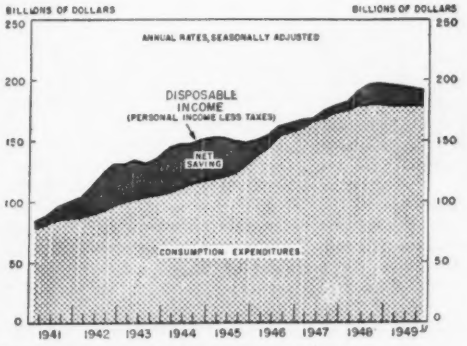
SOURCES AND USES OF CORPORATE FUNDS



* PROFIT ESTIMATES FOR SECOND HALF 1949 BY COUNCIL OF ECONOMIC ADVISERS

SOURCES: DEPARTMENT OF COMMERCE ESTIMATES BASED ON SECURITIES EXCHANGE AND OTHER FINANCIAL DATA

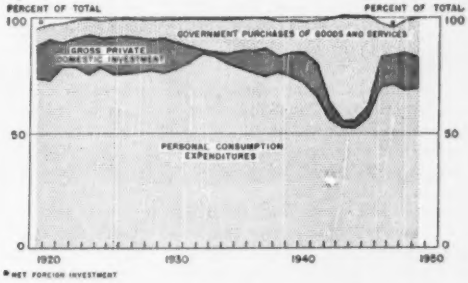
CONSUMER INCOME, SPENDING, AND SAVING



* FOURTH QUARTER ESTIMATES BY COUNCIL OF ECONOMIC ADVISERS; BASED ON INCOMPLETE DATA.

SOURCE: DEPARTMENT OF COMMERCE (EXCEPT AS NOTED)

CHANGING SHARES IN NATIONAL OUTPUT



* NET FOREIGN INVESTMENT

SOURCES: DEPARTMENT OF COMMERCE AND COUNCIL OF ECONOMIC ADVISERS

DWINDLING PROFITS cut retained earnings (upper left), big source of capital (upper right). Problem: to take up the falling investment share of output (lower right) by consumer—or government—spending. Hopeful: stable consumption last year. Conclusion by . . .

Truman: Let U. S. Grow Up to Its Budget

President Truman this week held out to Congress and the country the hope of a balanced budget.

But it is for the future, not for this year, not for next.

Truman doesn't intend to get it by cutting back on spending. Nor will increasing taxes do the whole job. The big gain in government revenue would come through the rise in business activity Truman contends his economic program would bring about.

The budget message on Monday took the position that $42.4-billion is the least the government can get along on in fiscal 1951—the 12 months beginning next Jul. 1. Against this, Truman calculates that present taxes would bring in only $37.3-billion.

Thus, there will be a deficit of $5.1-billion to add on to this year's $5.5-billion. That will bring the national debt up to $263.8-billion.

But Truman defended every nickel of spending, both in the budget message spelling out specific projects and programs, and in his economic report, which supplied the basic arguments for the whole broad sweep of Fair Deal goals.

He called it shortsighted to skimp on needed development of the nation's resources just to get the budget balanced in the coming fiscal year. He doesn't mind a deficit today if it means a stronger economy and a balanced budget in the future.

So here's the way Truman would spend, tax, and plan to bring about economic growth:

I. Spending

Truman documented his forecast of a trend toward balanced budgets by

How the Government Will Spend Its Money

Function	1949 * Actual	1950 * Estimated	1951 * Estimated
	(In millions of dollars—000 omitted)		
International affairs and finance	$6,462	$5,964	$4,711
National defense	11,914	13,148	13,545
Veterans' services and benefits	6,669	6,905	6,080
Social welfare, health, and security	1,907	2,297	2,714
Housing and community development	282	1,006	1,329
Education and general research	70	125	434
Agriculture and agricultural resources	2,512	2,671	2,206
Natural resources	1,512	1,845	2,218
Transportation and communication	1,622	1,894	1,682
Finance, commerce, and industry	120	225	212
Labor	193	219	243
General government	1,170	1,223	1,267
Interest on the public debt	5,352	5,725	5,625
Reserve for contingencies	.....	50	175
Adjustment to daily treasury statement	272	.....	.....
TOTAL	40,057	43,297	42,439

* *Fiscal years.*

pointing out that some of the expensive long-term programs are beginning to taper off.

• **Going Down**—Veterans—Expenditures for pensions, medical care, education, and the like will be down $825-million.

Debt service—Interest charges will be off $100-million.

Foreign aid—ECA and other international commitments, off $1½-billion.

Agriculture—Price supports, soil conservation, and the like, off $465-million.

• **Going Up**—But there are spending increases in the offing, too.

Defense—The price will be $13.5-billion, up $397-million over this year.

Social welfare—Counting in the estimated cost of proposed new schemes, such as national health insurance, up $417-million.

Housing and community development—up $323-million.

Public works and resources development—up $373-million.

Education—up $309-million.

All in all, Truman comes up with a net tapering off of only $825-million. Congress, for all the talk about economy, won't go him much better, if they cut at all.

II. Taxing

Truman has drawn up a tax program that he says will not only raise some needed revenue, but also will give some incentives to business.

• **Revenue Raisers**—On the revenue-raising side, he has in mind a handful of tax changes that should bring in more than $2-billion.

For one, he'd like to integrate gift and estate taxes—permit a single exemption covering both, instead of exemptions for each as now.

For another, there are the so-called loopholes he wants to plug—liberal gift and estate-tax exemptions, the flat depletion allowance on oil reserves, the tax-free income from business properties owned by nonprofit institutions (page 30). Also, the budget calls for $23-million for 3,000 new revenue agents to check up on evasions.

The biggest chunk of new revenue would come from raising the 38% ceiling on corporate income taxes. The experts say that for every percentage point you raise the rate you get $300-million. A hike to 42% would gather $1.2-billion.

Finally, there's the proposal to jack up personal income tax rates in the middle and upper brackets, say $7,500 and over.

• **Incentives**—As incentives to business, Truman will probably back his proposal of last year to liberalize loss carryovers. He would let a businessman average out losses over a six-year period, figuring five years forward and one year back.

Another relief proposal: Increase the tax exemption on corporations.

Truman will also recommend some cutbacks in wartime excise taxes—amounting to around $1-billion. But he will couple his recommendation with the demand that at least some of the revenue-raising measures be enacted to make up the losses.

In his budget message, the President realistically made his revenue forecasts for fiscal 1951 on the basis of current tax rates, not on those he is recommending. It is just as well that he did, because, though Congress may make excise cuts, it isn't likely to hike corporation and personal income taxes an inch.

III. Planning

Truman sees a pot of gold to the nation if his spending and taxing programs go through intact. His economic report to Congress talks of a $300-billion economy by 1960; he even sees a trillion-dollar level for the year 2000.

But his policies will have to be carried out in a climate that encourages business to expand on its own. Truman is concerned because some of the goals he says must be reached along the way are not being met on schedule.

It is true, of course, that consumer income, spending, and saving remained high in 1949. And while corporate profits after taxes were down $4.5-billion from 1948, they still remained healthy and strong—especially after price declines and inventory losses were washed out.

• **Weak Spots**—One of Truman's worry spots is employment. Last year this fell 1.7-million below the level set for it by the Council of Economic Advisers. Target was 60.4-million—a million above the 1948 level, but 1949 employment averaged only 58.7-million.

Another worry: Production of goods and services in 1949 was ticketed for an $8-billion to $10-billion increase over the $262.4-billion of 1948. Instead, output dropped $3.7-billion.

If this drop isn't checked, Truman doesn't see how our growing population can remain prosperous—and we'll fall short of the goal of 64-million people producing at an annual rate of $300-billion by 1960.

• **Truman Medicine**—He has his own answers on how to speed things up: his Fair Deal power development, more social welfare for the aged and indigent, and pushing the redistribution of income to boost purchasing power.

Truman also wants to coax and prod basic industry to expand. As business leans less on retained earnings, new sources of capital must be found.

• **Short View**—All this is long-range projecting. Short range, the economic report sees good business in 1950, for the first half at least. Inventories are being rebuilt, construction still is rocketing along, demand for automobiles is still high. And the veterans insurance refund is coming.

Weakest spot in the nearby picture—as Truman sees it—is this: Business is investing steadily less in plant and equipment. Add that to the forthcoming cuts in foreign aid, the end of the automobile boom, and the dissipation of the GI dividends, and you could have a moderate decline in the latter part of the year.

64 Sciences meet at SINCLAIR

Geophysical exploration for oil extends even into the water. Here geophysicists are doing preliminary work with a gravity meter in the Gulf of Mexico.

No one man—no one science—can answer the questions Sinclair asks of its research and technical staff. It takes the cooperative effort of hundreds of men applying their knowledge of 64 specific sciences.

There are *two* ever-present questions: Where is oil to be found? How can Sinclair improve the products of oil?

Teams of Sinclair geophysicists and geologists are currently probing a good part of the world's surface in their search for an answer to the first question. And the second requires the full-time attention of more than 200 chemists, physicists, mathematicians, engineers and other specialists in the 38-acre Sinclair Research Laboratories at Harvey, Illinois.

Actually, there are 19 *different* kinds of scientific degrees held by the research and technical men of Sinclair—ranging all the way from metallurgy to entomology.

This combination of sciences—all concentrated on the problems of petroleum—has helped make Sinclair *"A Great Name in Oil."*

SINCLAIR—*A Great Name in Oil*

SINCLAIR OIL
CORPORATION
630 Fifth Avenue · New York 20, N.Y.

BUSINESS BRIEFS

RFC turned thumbs down on Lustron's reorganization plan. President Carl G. Strandlund offered RFC membership on an expanded board of directors, but the agency said his plan left control "where it is." Strandlund also asked for a new $5-million loan, withdrawal of his personal guarantee on some loans, a moratorium on payments until 1951.

•

All U. S. car makers were in production this week, the first time since October. Packard, Kaiser-Frazer, and Willys-Overland resumed operations after shutdowns for inventory and model changeovers. K-F had been closed longest —since Oct. 21.

•

American Safety Razor is branching out with a box camera that it expects to test market in May. The camera will sell for about $10, will use a disc-type magazine to hold film.

•

Five Philadelphia stores were fined $2,500 each when they pleaded no contest to an indictment for price fixing. The government charged Gimbel's, Lit's, N. Snellenburg, Strawbridge & Clothier, and John Wanamaker with agreeing, for example, that goods priced at less than $1 wouldn't be sold at prices between 90¢ and 97¢ inclusive. The effect was to raise prices to 98¢.

•

Natural gas companies selling fuel from interstate lines within a single state still come under authority of the Federal Power Commission, the Supreme Court ruled.

•

Pan Am-AOA merger: Justice Dept. has charged "what appears to be bias and prejudice" on the part of the Civil Aeronautics Board examiner who recommended approval of Pan Am's proposed purchase of American Overseas Airlines (BW—Dec.31'49,p24). Earlier, two CAB counsels had called the record in the case "the ugliest . . . in over a decade."

•

Chile will devalue its peso to 60 to $1 (about 1.67¢) for most transactions. The old peso was set at five different rates, depending on the type of merchandise or payment. Most trade moved at from 2.3¢ to slightly more than 5¢.

•

Antihistamine cold tablets (BW—Dec. 17'49,p68) will help prevent colds as well as treat them, Sylvania Electric has found. Only 22.8% of its employees who took regular doses for three months came down with colds. Of the workers who skipped the treatment, 65% caught bugs.

Do office worries butt in on your sleep?

YOUR sleep is the goat when the colliding *butts* of inventory problems haunt your nights . . .

A big inventory may seem wiser *but* . . . it hurts to be hit by falling prices or profit-eating carrying costs. A small inventory may seem safer *but* . . . it's painful when customers complain and cancel orders.

McBee Keysort cuts the horns of this dilemma by helping make Balanced Inventory a reality.

Informed judgments, based on *complete* facts provided *promptly*, are easier to make with McBee Keysort because it can report *daily*, at less cost than any other method . . .

1. What is selling and what is not.
2. What is on hand, and how long it's been there.
3. What must be bought or made . . . when.

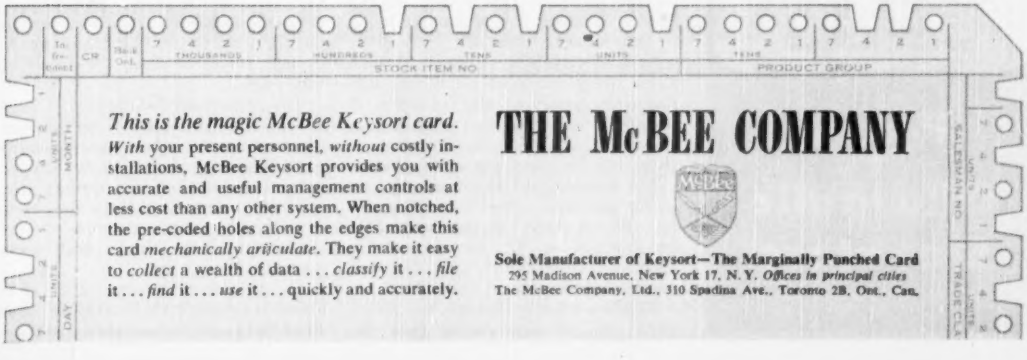
Sales efficiency increases when McBee Keysort helps the General Manager coordinate orders and sales pressure with inventory.

Production cost decreases when McBee Keysort helps adjust work-in-process, purchases and machine requirements to *current* demand.

Nervous wear and tear on the General Manager himself eases up surprisingly as inexpensive, flexible McBee machines and methods give him *accurate* management controls *when he needs them.*

That's why McBee sales have multiplied *sixfold* in a few years.

The McBee man near you will tell you frankly whether or *not* McBee can help you. Ask him to drop in. Or write us.



This is the magic McBee Keysort card. *With* your present personnel, *without* costly installations, McBee Keysort provides you with accurate and useful management controls at less cost than any other system. When notched, the pre-coded holes along the edges make this card *mechanically articulate.* They make it easy to *collect* a wealth of data . . . *classify* it . . . *file* it . . . *find* it . . . *use* it . . . quickly and accurately.

THE McBEE COMPANY

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The McBee Company, Ltd., 310 Spadina Ave., Toronto 2B, Ont., Can.

TAXES

Revenue Without Tears

Congress wants to raise more money without hiking tax rates. So it's thinking about cutting certain exemptions and plugging evasion leaks. It won't add up to very much, however.

The congressional tax-doctors think they have found a couple of cures for their biggest headache—how to boost revenue without boosting rates.

One cure is fairly painless: Give the Bureau of Internal Revenue money to hire more agents for stricter enforcement of the tax laws.

• **Plug 'Em Up**—The other would hurt more: Plug the loopholes through which some cash is now flowing. On this score, here's the thinking:

Lower the exemptions from estate and gift taxes. This, it's estimated, would bring in an additional $300-million a year.

Cut depletion allowances to oil and mining companies. Estimated gain: $400-million yearly.

Narrow the exemptions schools, charities, and other nonprofit institutions get on business enterprises run for their benefit. Talk is that this would bring in about $1-billion a year.

• **Policing Job**—The "painless" treatment looks great—on paper. Even BIR, however, doubts that it will prove quite that good in practice.

The idea isn't new, of course. But $5-billion deficits have put a lot of steam behind it this year. And President Truman's hints that he will veto an excise cut if the revenue isn't obtained elsewhere have added to the pressure.

Strangely enough, the Democrats started the ball rolling. Just before Congress convened, Rep. Aime J. Forand (Dem., R. I.) of the Ways & Means Committee estimated that the government was losing through tax evasion an amount equal to the current budget deficit. That led to a committee move to look into the situation.

• **Expectations**—Mrs. Forand doesn't think the government could ever collect every penny of the $5-billion it is now losing; to do that kind of job, you would need as many detectives as there are taxpayers—about 50-million.

But skimming off $1-billion isn't out of the question. And the cost could be relatively slight. In past years, BIR has rounded up $20 for every dollar spent on enforcement. So, the bill might come to around $50-million.

• **Hurdles**—Actually, though, bureau experts tell you that getting even $1-billion is not going to be that simple.

The 20-to-1 ratio of returns over cost probably wouldn't hold. During the war and early postwar years, when the ratio was set, evasions were especially big and easy to catch. Price controls and rationing gave the government more complete records than ever before and a better chance to spot discrepancies. Crackdowns on corporations yielded as much as 85% on undeclared income (the excess profits rate) as against a 38% maximum now. And then there were the roundups of black marketeers—now out of business—whose income otherwise would have escaped taxation entirely.

Another point: BIR doesn't know yet just where to look for the missing money. It can't get much more out of corporations or individuals in the higher brackets; their returns already get a fine-tooth audit. That leaves only the little fellows—more than 40-million of them—who pull down roughly $7,000 a year or less.

• **Survey**—The bureau is making a careful survey of 160,000 of the returns filed in 1948. It wants to find out just what to look for. BIR wants a line on:

What kind of taxpayers are most likely to be evaders? Farmers? Self-employed? Professionals?

Which are the biggest types of evasion? Falsification of income? Illegal exemption claims?

How can it quickly weed out those returns that will yield the most?

• **Findings**—Final results of the test run won't be in for another two or three months, at least. But BIR experts think they can already see a pattern—and it doesn't look as if it will add up to enough money to shave the deficit by very much.

The preliminary findings:

(1) The government isn't losing much money through big-time fraud.

(2) The biggest single loss factor is petty chiseling by wage-earners who claim more dependents than they have.

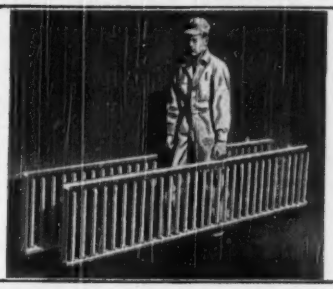
(3) Mathematical errors and misunderstanding of the law are next in importance.

(4) A lot of taxpayers "save" small amounts by giving themselves the benefit of the doubt in borderline cases.

MAGNESIUM MAKES MANY PRODUCTS BETTER

Example
THE PORTABLE CONVEYOR

Light!



Knowing that maximum lightness meant greater utility and a large competitive sales advantage over heavier conveyors, a leading manufacturer of materials handling equipment designed and built a conveyor almost entirely of magnesium. A 10-foot section of this conveyor weighs just 68 lb.—92 lb. less than the section it replaced!

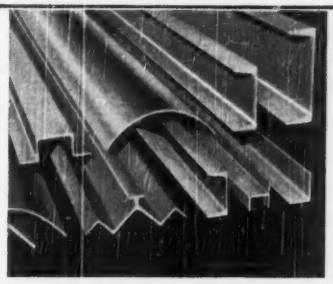
Magnesium cut its weight by more than half

Strong!

While magnesium is the lighest structural metal known—it's ⅓ lighter than the next structural metal—it is also remarkably strong. This 68 lb. magnesium conveyor section is just as strong—just as durable—as a conveyor of heavier material designed for the same performance. *And ten years use has proved it requires only minimum maintenance.*

Strength and durability proved by actual service

made with



This designer chose magnesium extrusions. The extrusion process gave him sections tailored to his requirements at surprisingly low cost. Forming or fabricating from standard shapes or sheet was eliminated. The light weight and excellent machinability of the magnesium extrusions meant fast, easy, low-cost handling and assembly.

Dow Magnesium!

THE WORLD'S LIGHTEST STRUCTURAL METAL

Many other industrial fields are profiting from the use of one or more forms of magnesium. Business machines benefit from precise, low-cost, lightweight magnesium die castings. Motor transportation costs go down when lightweight magnesium bodies are used. Reciprocating machinery operates faster, more efficiently, and with less maintenance when magnesium lightness reduces the inertia of moving parts.

These are but a few of the profitable industrial applications of magnesium. Find out what magnesium can do to make your product more useful, easier to sell, or cheaper to make. For more information call the nearest Dow office or write direct.

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New York • Boston • Philadelphia • Washington • Atlanta • Cleveland • Detroit • Chicago • St. Louis • Houston • San Francisco • Los Angeles • Seattle • Dow Chemical of Canada, Limited, Toronto, Canada

Is It a Repair?

Tax Court rules of thumb are main guides in deciding if overhaul is a repair (cost) or improvement (capital outlay).

If you've been toying with the idea of fixing up your plant this year, you probably have run into these questions:

When is a major overhaul considered a cost for tax purposes—and therefore deductible from taxable income?

When, on the other hand, must it be treated as a capital expenditure—paid for out of profits or surplus?

• **Damper on Spending**—These questions have been puzzling businessmen for a long, long time. But clear-cut answers were never needed so badly as they are today. Indeed, if enough businessmen were sure that they could handle overhauls as costs, they might let go a flood of contracts that would offset some of the anticipated declines in business spending (BW—Dec.10'49, p20).

A lot of firms are still trying to decide whether they can afford to refurbish now or whether they should wait "until things get better." Naturally, the price of the overhaul is the controlling factor. And this price can be cut as much as 38%, if it can be treated as a cost deductible from income.

Of course, if you have to set up the overhaul costs as a capital item instead of expensing them, you still get some tax consideration. You can deduct annual depreciation on the new assets over the period of their economic life. But from management's viewpoint this isn't much consolation. It takes a long time to get your money back that way. And there is always the chance that sometime in the future your income won't be big enough to cover the depreciation. Besides, the government's allowances for new-equipment depreciation are notoriously stingy.

• **No Line**—The Internal Revenue Code doesn't draw a clear line between costs and capital expenditures. It can't because many fix-up jobs seem to be both, and no bill drafter could write rules that would cover every case. So the courts were left with the task of working out rules of thumb.

In recent years, the courts have handed down decisions that make it easier for you to decide whether you can afford to refurbish now. In general, the decisions seem to say:

(1) The larger the overhaul, the greater the chance that it will be classified as a replacement (a capital expenditure) rather than a repair (a cost).

(2) But the purpose of the outlay must also be taken into account in de-

ciding between replacement and repair.

Here's a roundup of cases that show just how the rules of thumb apply to specific situations:

Case I—Back in the middle thirties, a rayon manufacturer built a large plant in Tennessee. Twelve years later, because of soil faults and chemical leakage, the concrete floor caved in. To save the plant, the taxpayer spent close to $1-million for grouting—an amount equal to one-eighth of the plant's original cost.

In its tax return for the year, the company listed the engineering work as a repair and deducted the cost from income. After checking the return, the Bureau of Internal Revenue ruled that the deduction on the ground that the item was a capital expenditure.

The bureau's reasoning: The company's outlet created an entirely new part of the plant—namely, the underground installations. In effect, BIR was saying that had the soil fault been known when the plant was built, the cost of correcting it would have been part of the original capital expenditure. So the later cost should not be charged against the income of any one year.

The company appealed to the Tax Court, which ruled against BIR. "The purpose [of the grouting]," the court said, "was not to improve, extend . . . rebuild or replace the plant . . . but to keep the same plant as it was or where it was." Thus, the court classed the outlay as a repair. (American Bemberg Corp. vs. Commissioner of Internal Revenue, 10 TC 361)

Case II—Sixteen months after a taxpayer purchased a factory building he found it necessary to rip out and replace a leaky roof and walls. The cost of the job came to about 35% of the original purchase price.

In filing his return, the taxpayer put down the expense as a cost—and took a tax saving. BIR objected; the cost of the job relative to the purchase price was so high that the bureau felt it should be regarded as a partial replacement, and therefore a capital expenditure.

The federal court didn't see it that way. Stopping the leaks was a restoration of a damaged property, merely permitting the tenants to continue to use the building as before. Here again, the Tax Court found that the expenditure was a repair. (Buckland vs. U. S., 66 Fed. Supp. 681)

Case III—A radio station discovered that its programs were getting poor reception because of interference from another station. To eliminate the overlap, the first station went to considerable expense to move its tower.

In figuring its tax for the year, the management listed the expense as a cost and claimed a reduction. When BIR vetoed the claim, the case went to

Out Ahead Again for 1950

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New Weight-Saving Diesel Tractors • New Middle-Weight Six-Wheelers

For 1950, GMC trucks are out ahead again in the truck transport parade . . . for 1950, GMCs again bring new advantages to truck users everywhere.

There's new power in light-medium models . . . with new camshafts, valves and manifolds. There's new cab comfort in these models . . . with wider seats, increased headroom and improved sealing. And there are new chassis features, including new hydraulic and optional air brakes on 2½-ton models, new front springs with airplane-type shock absorbers on light trucks.

Topping it all are new models that give many more operators the benefits of GMC ownership . . . a new 1½-ton "280" series . . . a new heavy duty 2½-ton "470" series . . . two new middle-weight "400" and "620" series six-wheelers . . . and two new "weight-saving" Diesel-powered tractors built to handle maximum legal payloads in the 45,000-55,000 pound weight range. Get the complete facts at your nearest GMC headquarters.

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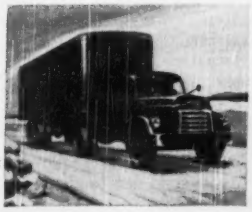

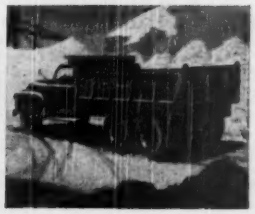

the Tax Court. And this time, the bureau won.

The court held that the outlay was a capital expense because the station had, in effect, bought a capital asset—improved reception—with the money spent on moving. (Wooten vs. Commissioner of Internal Revenue, 12 TC 85)

Case IV—A warehouse threatened to collapse after unusually low water had exposed its wooden piles and dry rot had set in. To save his property, the owner replaced parts of the piles with concrete sections. In the process, the floor had to be torn up and a wall reinforced.

BIR challenged the taxpayer's right to treat the expense as a cost. Concrete in the piles was an improvement—not a mere replacement—and the outlay was properly a capital expenditure.

The Tax Court, however, ruled for the taxpayer, who had to make the outlay to prevent a total loss. Thus, the expense could be treated not as a permanent improvement, but as a repair deductible as a cost. (Illinois Merchants Trust Co. Executor vs. Commissioner of Internal Revenue, 4 BTA 103)

Case V—A manufacturer went to considerable expense to lower the basement floor in one of his plants to make it level with the floor of an adjoining building. That way factory cars could move easily between units.

When the following Mar. 15 rolled around, the company filed a return listing the alteration as a cost and claiming a deduction. When BIR objected, the company turned to the Tax Court, claiming that the change had neither increased the building's value nor prolonged its life.

But the court upheld the bureau. Its reason: Lowering the floor made the basement suitable for a new use. And, at any rate, it made the property more valuable to the taxpayer. (Difco Laboratories, Inc., vs. Commissioner of Internal Revenue, 10 TC 660)

FTC SEES YOUR TAX RETURNS

Your company's tax returns may be in for a double check from now on: once by the Bureau of Internal Revenue and then, possibly, by the Federal Trade Commission.

The President has issued an executive order directing the bureau to let FTC look at any corporation's tax returns for 1949 and following years. Purpose: to help the commission carry the duties assigned to it by Congress.

FTC is forbidden to make any discoveries public. But there's nothing in Truman's order to keep it from using information thus obtained to prosecute violators. The agency has indicated, however, that it wants to get statistics for use in its surveys, not to check up on monopoly suspects.

SAVES $20,400 A YEAR FOR CHEMICAL PLANT

THIS 65-TON G-E DIESEL-ELECTRIC SWITCHER proves a wise investment for American Cyanamid's Calco Chemical Division. Switching costs are $1,700 less a month. It's ready for work 95 percent of the time. And it gives maximum safety in inflammable areas. Big differences from the replaced steamer!

ANNUAL RETURN—47%. Used for transfer work and intra-plant switching this 65-tonner paid for itself in less than 2½ years. This is how: Maintenance was cut sharply. Hourly fuel costs were down 84 percent. Derailments, more than one a week with the steamer, were eliminated.

HOW YOU CAN BENEFIT. This performance is typical of G-E locomotives. Your plant, too, will reduce switching time up to 50 percent—will switch cars dependably and economically—will maintain the safest, cleanest working conditions possible—*if you switch with G-E diesel-electrics.*

Your G-E representative can estimate, in advance, the savings you may expect. Call him today. For an estimate of the size switcher you would require, write on your business letterhead for your FREE diesel-electric slide rule. Address Section 120-48A, *Apparatus Dept., General Electric Co., Schenectady 5, N. Y.*

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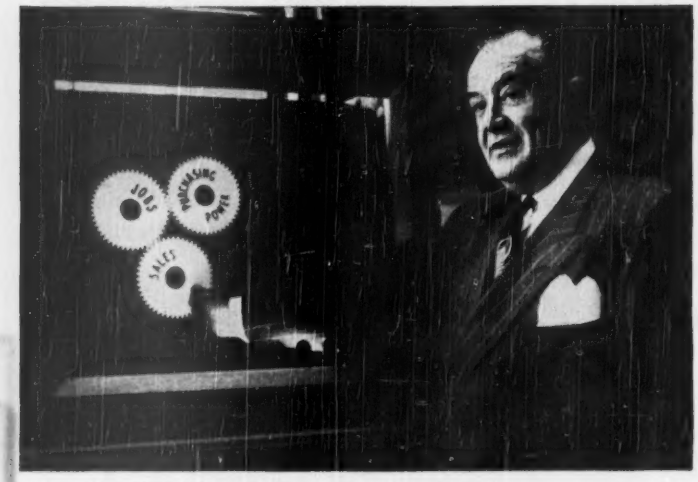
EXECUTIVE OPINION



STEEL WAREHOUSER Merrill has gimmick to show how the economy hangs together.

What Makes the Wheels Go?

Salesmanship, Merrill says. But he thinks New England companies are slow to spend money to improve products, cut costs. And they must create wants or their customers won't buy.

A favorite question among business dopesters has been: What ails New England? Income rose slightly in November in the New England states. But compared with the rest of the country, the long-term trend is down. The textile mills have been in trouble at times; expansion of industry in the South and West worries New Englanders. Some people have been beating the drum for a steel mill to turn the industrial tide.

BUSINESS WEEK asked Everett F. Merrill for his opinion on New England's future. Merrill is president of the Worcester (Mass.) Chamber of Commerce; he's also president and treasurer of Merrill & Usher Co., steel warehousers. And he has his own answers to his region's questions—and a few others besides.

BW—Mr. Merrill, what about a steel mill for New England? Is there going to be one, or is all the talk just wishful thinking?

MERRILL—I'm glad you used that word wishful. New England isn't going to have a mill in your lifetime or in your children's, either.

BW—You think New Englanders are kidding themselves about getting a mill?

MERRILL—You hit the hot button. That's an expression of mine, I have never talked to a steel producing executive who thinks a mill here is worthwhile. It would have to be a high-cost mill that couldn't compete with the Middle West. Too many people don't know the facts or won't learn them. Because they want a mill so badly, they're letting themselves be poorly advised.

BW—But isn't there a lot of ore in Labrador?

MERRILL—Yes, sure. But you still have to have coal. And steel making takes half the weight of the finished product in coal and limestone. You'd still have to pay the railroads just as much to haul the stuff, wouldn't you?

BW—Then what is the cold dope on the talk about a mill?

MERRILL—The cold dope is that there isn't enough demand here for any one product.

BW—Still, New England buys a lot of steel, doesn't it?

MERRILL—But it's a lot of different kinds of steel. Now you take a steel mill. It most always makes just one kind of steel—wire, bars, sheets, plates, and stuff like that. Sure, New England buys them all, but we don't buy enough of any one of them to support an integrated mill big enough to make them all.

BW—It's a matter of economics, then?

MERRILL—You hit the hot button. It might cost as much as $500-million to build a fully integrated mill. New England hasn't got the business in any one line to work off the cost of such a mill. Look at it this way. I'm in the warehouse business, and I get orders from American Steel & Wire Co. here in Worcester. Big outfit. Employs 3,500. So why do they come to me? Because it's cheaper to pay us to fill small orders than for them to hunt around or make the stuff themselves. The order just isn't worth what it would cost. Same thing with a New England steel mill.

BW—Then what is the future of New England?

MERRILL—Skills. Craftsmanship. New England has the best craftsmen in the nation.

BW—Shoes and textiles are finished?

MERRILL—Well, those that have moved away we won't see coming back.

BW—How can New England keep what it has still got?

MERRILL—We could try to lower state taxes and encourage people to modernize.

BW—It seems to me that for a mill that has moved South, say, the unions are maybe going to follow them South, too. So perhaps in 10 years or so the mill owner won't be any better off there on wages than he was in New England. Do you think there's anything in that?

MERRILL—Yes, I do. And the higher minimum wage and type of labor they get is something to consider, too. And that gets us back to what New England has to sell—skills. Why, the plastics industry started right here in New England. This isn't the biggest plastics center now, but it was New England that gave plastics its start.

BW—Well, how is New England going to take advantage of these skills?

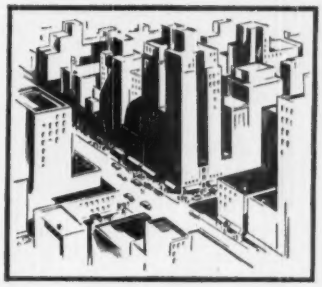
MERRILL—The other day, I had lunch with an executive of the Joy Mfg. Co. They have a branch in Claremont, N.H., and they make mining machinery that goes to the West. Geographically, they're in a bad location. Why haven't they moved? Because in some other place they couldn't accumulate the know-how they've got in New Hampshire. It's a combination of all the skills in the plant that have

BUSINESS IN MOTION

To our Colleagues in American Business . . .

Because everybody spends a lot of time indoors, under a roof of one kind or another, the building industry has always been of prime interest to Revere. There are two reasons for this concern. One is the obvious consideration — a good, weather-tight, long-lasting building should contain adequate amounts of sheet copper in the appropriate places. The other is our feeling that, as a leading producer of sheet copper, we have an obligation to the public to see that there is an understanding of the economy and satisfaction obtained through the correct use of this metal for waterproofing.

Hence Revere some years ago embarked upon an extensive program aimed at developing the engineering principles, specifications and designs for successful application of sheet copper to all types of buildings. The information thus obtained has been freely published for all to follow, with assurance of lasting protection, whether for a home or a hospital, an office building, hotel or factory. Though anybody's copper can be used according to these specifications and designs, naturally Revere hopes it will be Revere copper, and indeed we are getting our share of the business. It is a great satisfaction to us not only to sell the copper, but to know that it is being applied in such a way as to give economical, enduring protection. This is especially important in these days of high labor costs, which make repairs due to the use of inferior materials or improper installation cost so much more than the price of good materials and workmanship, if used in the first place.



Now Revere has expanded its service to the building trades by offering solid copper flashing for masonry construction. The flashing is of chief interest to those designing and building large commercial structures, though of course it is also applicable to the private homes built of brick and stone. There is now available thru-wall flashing for economical and enduring protection against seepage and leaks at copings, parapets, belt courses, sills, spandrel beam facings and similar masonry applications. There is a reglet and reglet insert, also of solid copper, for waterproofing spandrels at costs comparable with or less than mopped-on waterproofing. There is vertical rib siding for use on high parapet walls, penthouses, and so on. All these items are pre-formed, and the simple directions for their use can be easily followed by any contractor, builder, or sheet metal worker. These new Revere Copper Products are available through sheet metal distributors throughout the country.

Though we have given these new items the widest possible publicity, we realize that in this vast country it is unlikely that absolutely everybody concerned will learn immediately about them and how much they can add to true economy. It takes time for news to get around. This time-lag is a problem for every company offering a new service or product. Recently we saw an advertisement of an important industrial material (felt) in which it was suggested: "Write us what you make, and benefit by our constructive ideas." That is good advice. Revere therefore recommends that no matter what you buy, whether metals or felt, chemicals or plastics, building materials or containers, you give your suppliers the opportunity to collaborate with you on the selection and application of new as well as old materials.

REVERE COPPER AND BRASS INCORPORATED

Founded by Paul Revere in 1801

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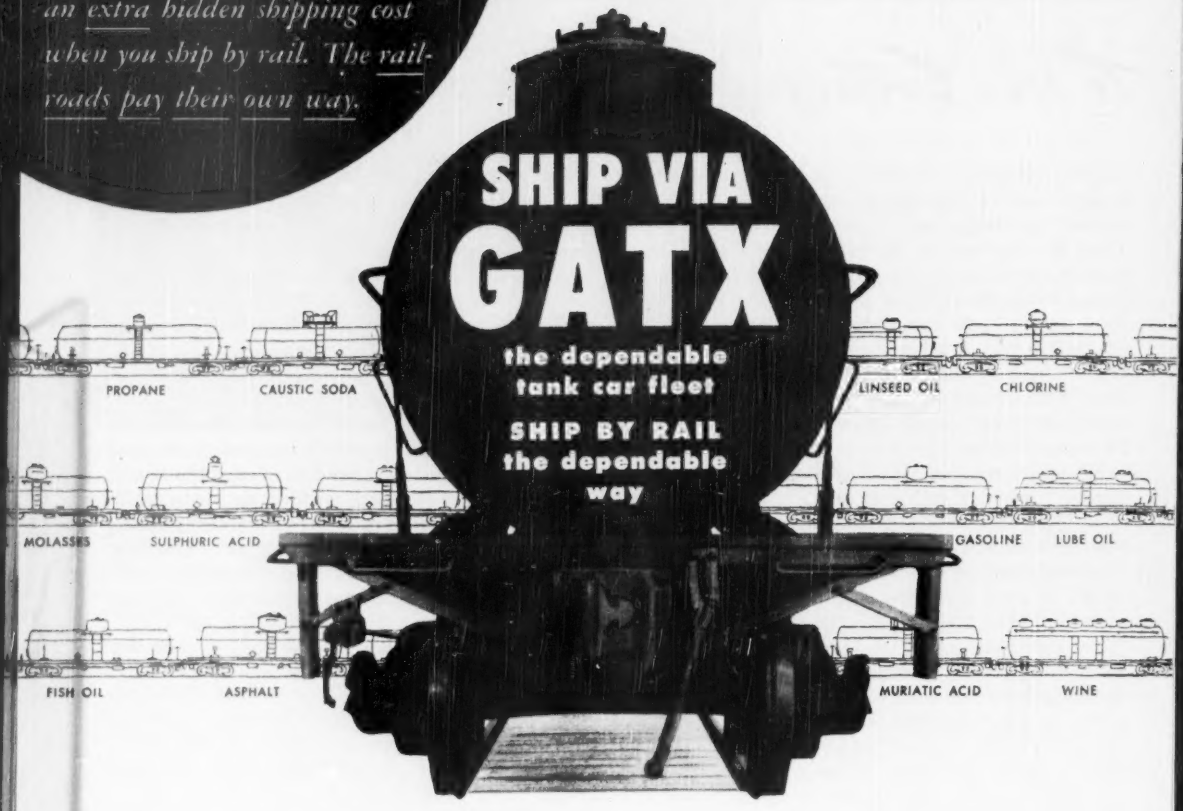
SHIP BY RAIL

Your tax money does not become an extra hidden shipping cost when you ship by rail. The railroads pay their own way.



Among the more than 200 types of GATX tank cars, there's a specialized car for taking every type of bulk liquid everywhere the railroads go. These cars are built in General American's own plants to specifications which reduce customers' handling costs and shipping time.

To keep the 41,000 GATX cars rolling, a network of completely equipped General American maintenance shops is in operation. A GATX car is never more than a few hours away from servicing.

No capital investment is needed to use this fleet. All cars are *leased* to meet shippers' special requirements. See your nearest GATX representative for details.

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been passed down from one generation to another.

BW—Like the Studebaker father-and-son ads?

MERRILL—Exactly.

BW—I still don't see why a plant that sells, say, in Pennsylvania wouldn't be better off locating there.

MERRILL—One reason is it's pretty hard to get people who've lived in a place to pick up and move. Look at it this way. A lot of people have moved to California and all over hell's kitchen. But they go by themselves—maybe a draftsman, or a machinist, or a salesman. So if you set up a plant in California, you've got to draw on a labor market that's maybe—scattered. See what I mean?

BW—We still haven't got a good answer on what New England ought to do to get the most out of its skills.

MERRILL—Nothing happens until something is sold. Credit that one to Red Motley, president of Parade Publication, and it's true. Nothing happens until something is sold.

BW—But I've heard from at least one engineering source that some New England manufacturers would rather shut down and lay some people off when things get slim than sell harder and try to cut costs so they can keep their whole work force going. Are there many people like that?

MERRILL—Too damn many among smaller outfits. Among the big ones, no.

BW—For example.

MERRILL—Well, our company sells all over New England, but I know of outfits that sell in a fifty-mile radius and then say the hell with it. But you've got to be aggressive, and you've got to spend time and money to make money.

But a lot of them aren't that way. Tell them to spend $25,000 modernizing their plant, and they'll say, "But I haven't got the money." But in a couple of years they'll spend that on automobiles.

BW—You keep your plant up to date?

MERRILL—Well, every six months I send a man to cities as far away as Chicago to look around and see what's new. We're always looking for ways to cut costs. Recently, we started handling everything with magnets. Sure, some of the big steel companies do that, but we think we're the only steel warehouse in the country that handles everything with magnets.

BW—How else do you think New England businessmen can help themselves besides through craftsmanship and being more efficient?

MERRILL—Better quality. Some businessmen are falling flat on their faces because they aren't creating customer demand. See that car outside there? Listen, every year I get the first

"Nothing happens until something is sold."

one in Worcester. So this year the dealer calls up and says:

"Mr. Merrill, come on down. Your new super-duper is here."

"But it's the same car I got last year," I told him. "Same paint job. Same design."

"But it's got a different engine in it," the dealer says.

My neighbor isn't going to know that, so I told him to keep his damn car. I wouldn't give him five dollars for it. Matter of fact, I wouldn't even change the plates on it.

BW—Your old car was good enough?

MERRILL—Exactly. I didn't need a new car, and to make the sale the dealer had to make me want it.

Take the business of selling clothes. Why does a man buy a new suit?

BW—Because he needs one, I suppose.

MERRILL—Not at all. He doesn't need a new suit. He can just patch up the seat. He buys a suit because he wants one. Because of pride, because he wants to look as good as the next man, or because he's afraid he won't look good enough.

Bare needs are not enough. You've got to create wants.

BW—How do you do that?

MERRILL—Let me tell you a story that happened during the war. A salesman stopped at a lady's house and asked her what she needed. She said a couple of things, I forget just what. Then the salesman showed her some pictures of about 21 things she couldn't get, like refrigerators, electric irons, and automobiles. Then he put the pictures away and asked her what she wanted, and she asked for about 14 of the 21. See? Maybe the old washing machine was good enough, but the salesman made her want to have a new one. Like as not she didn't even know she wanted a new machine until she saw the salesman's pictures.

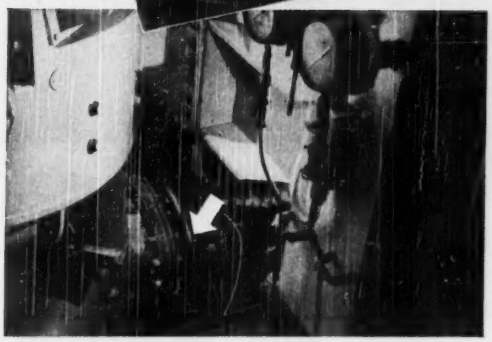
BW—Industries have to keep creating wants, then?

MERRILL—That's the hot button. That's exactly what it's got to do. This

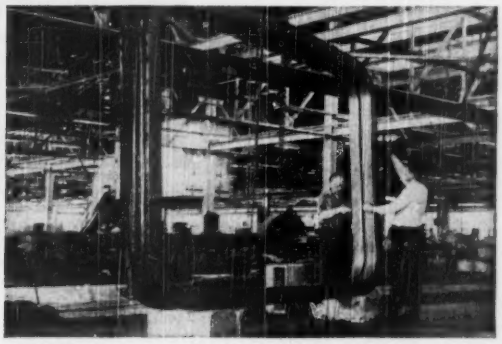
THE CASE OF THE NERVOUS SHIP

Vibrations and noise in her pipe systems eliminated by installation of U. S. Rubber expansion joints

FROM "SHIP-SHAKES" TO SHIPSHAPE was the case with this freighter, once a sufferer from throbbing pipes, unladylike rattles. Easily installed U. S. Rubber Expansion joints provided the cure.



A CASE IN POINT shows compact U. S. Rubber Expansion Joint between circulating water pump and ship's condenser. It allows maximum expansion and contraction in normal operations.



KINGSIZE JOINT was developed for use between turbine and condenser in central power stations. Only U.S. Rubber, the originator of rubber expansion joints, has built reliable joints as large as this.

United States Rubber Co. engineers can design and build joints to meet your special conditions... can make practical recommendations for their use to take care of expansion, vibration and elimination of noise transmission, and to provide resistance to fire. Write Mechanical Goods Division,

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UNITED STATES RUBBER COMPANY

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is another old example, but take the New Look. Everyone likes to see a pair of legs, and the girls know it, but they went for that style because they wanted it and not because the old dress wasn't good enough—and look what it did for the dress business.

You know, if you hear something you only hear it, and sometimes it goes right out the other ear. But when you sell something, if the prospect can hear you talk about it and see it [Merrill took a pencil out of his pocket and revolved it in his fingers] and maybe feel it [he handed the pencil to the reporter], then you've got a much better chance of a sale.

I've got a couple of gimmicks here that will show you just exactly what I mean.

I go around and do a lot of speaking, and I explain it this way. I take these blocks I keep in my tool chest. This one is marked Products, see? Then I take this second block, marked Needs, and put it on top of the first one. Like this:

The idea is to move those products. But Needs alone won't do it. The two blocks won't stick together. Give the Needs block a tug, and it just comes away. No sale.

Now turn the Needs block over. This side says Wants. Now put them together. This time it works. The

Wants block pulls the Products block along with it.

In other words, you've made a sale. If people only need things, it's no sale.

BW—How does that contraption work?

MERRILL—Magnets. Stick the blocks together so the Wants show up against Products, and these metal strips make a contact.

BW—I see that the blocks stick together only when the Wants line up exactly with the Products.

MERRILL—Hadn't thought of that. I'll put it in the next time I speak.

BW—You give this show often?

MERRILL—Oh, I guess I speak maybe once a week. Clubs, sales groups, people like that. I've got a good one for my next one. Takes about half an hour. "Personality Is Your Display Window." Come out here and I'll show you what I'm going to give them. It's terrific. I got the idea from Cy Burg, vice-president of Iron Fireman.

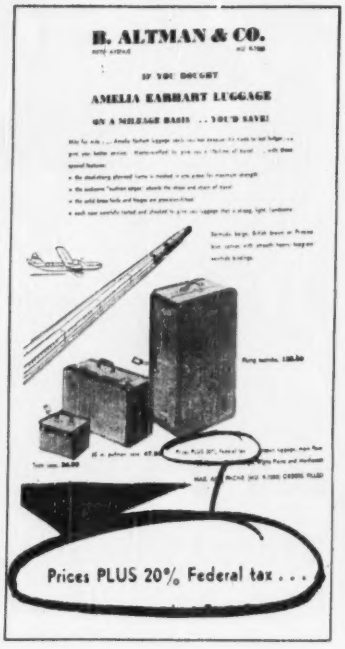
Now you see this little stage. My subject is "Personality Is Your Display Window." What do we mean by that?

Now you take this little doll, it's just a wooden figure of a man in undershorts. He hasn't got much personality, has he? Now watch this. Put this little fellow, all dressed up, beside the man in the shorts. There we have a man with personality. Maybe that's saying a lot for a suit of clothes, but it gets the idea over. Now watch this. This is terrific. Take a look at this stage. You see that background—those three cogged wheels? Each has its own label: Sales, Jobs, Purchasing Power (picture, page 38). Now, how do we make jobs?

BW—Well. . .

MERRILL—You don't make them just by going out and hiring 50 people if you don't have anything for them to do. You go broke that way. But now watch how all this fits together, just like our economic system. You turn the Sales wheel, like this. That turns the Jobs wheel, see? And that turns the Purchasing Power wheel—and we're off to the races.

MARKETING



Furriers, luggage makers, and airlines think that ending—or cutting—excise taxes would spur sales of their goods and services.

What Marketers May Get From Congress

Besides excise-tax cuts, this session of Congress may produce postal rate increases, labeling regulations, antimerger legislation.

Distribution executives better not be taken in by the widespread prediction that "Congress won't do much of anything this session except talk and make politics for the fall elections." There are half a dozen bills coming up for sure that are big news for marketers.

Here are some to watch for:

• **Excise Taxes**—In the few weeks before Congress opened, sentiment for wiping out wartime excise taxes mounted fast. Republican leader Joe Martin kept hammering away at the issue—but signs of softening also appeared within the Administration. Secretary of Commerce Sawyer reported that repeal of these taxes was one of the things businessmen all around the country wanted most.

Truman himself let it be known that he wasn't against repeal—if Congress would make up the revenue elsewhere. As the lawmakers got down to business, there was a good chance that excises would be cut back to prewar levels, but that Truman would still veto if lost revenue (about $1-billion) isn't made up.

Here's how the rates would change if cut back to prewar status: refrigerators, radios, phonographs, and parts, from 10% to 5%; cosmetics, furs, jewelry, and luggage from 20% to no tax; telegrams and long-distance phone calls from 25% to 10%; admissions and dues from 20% to 10%; sporting goods from 10% to no tax; passenger fares from 15% to 5%; and transport of freight from 3% to no tax.

One excise tax that's almost sure to go if any are cut is the 10% levied on business and office machines and equipment at the manufacturer level. It was one of the first of the wartime levies. Its purpose: to hold down consumption of steel and nonferrous metals, motors, and the like—all of which were needed for war equipment. The tax brings in only about $25-million a year, and there's strong sentiment for ending it during the current session of Congress.

• **O'Mahoney Delivered-Pricing Bill**—The showdown on the bill begins Jan. 20. That's when the Senate takes up the conference bill, already approved by the House.

This bill would make changes in the rules in two areas important to distribution:

(1) It would legalize individual use of freight absorption and delivered pricing.

(2) It would amend the Robinson-Patman antiprice-discrimination act by making a seller's price discrimination legal if he could prove that he gave a lower price to some of his customers in order to meet the lower price of a competitor.

A Senate filibuster—sparked by Senators Long, Douglas, and Kefauver—is a sure thing. Their contention: The bill would actually do far more than its proponents claim. Delivered-pricing and freight-absorption provisions, they say, would actually permit the steel and cement industries to go back to basing-point pricing. They believe that the Robinson-Patman amendments would relax the act's ban on price discriminations that lessen competition. They fear that big distributors and manufacturers could legally rig price deals that

To Every Management Seeking Better Methods of Distribution

INVENTORY—no longer need it give you nightmares!

Airfreight answers an age-old retail problem—how to reduce inventory without losing volume

MANY A RETAILER currently suffering nightmares over his inventory would find his worries needless if he turned to airfreight. First, airfreight would enable him to place a smaller initial order. This involves less capital risk, less inventory tied up in transit at any given time. It also means savings on floor space and personnel needed to handle the merchandise.

When and if the goods ordered sell rapidly, the retailer served by airfreight can obtain re-orders in a matter of hours. But if the merchandise does not catch on, he has less stock on hand and hence his markdown need not be so severe.

Lower retail inventory is only one of the many advantages of airfreight distribution. Reduced packing costs and potential expansion of marketing areas are other frequent benefits. In fact, it is the savings that airfreight effects *elsewhere* in the overall cost of doing business that often offset transportation charges.

That is why the choice of airfreight must be a management decision. Let an American Airlines representative tell the story of Airfreight in terms of *your* business. Write today to American Airlines, Inc., Cargo Division, 100 East 42nd Street, New York 17, N. Y.

FIRST AND FOREMOST—AMERICAN AIRLINES Airfreight

would run smaller companies out of business.

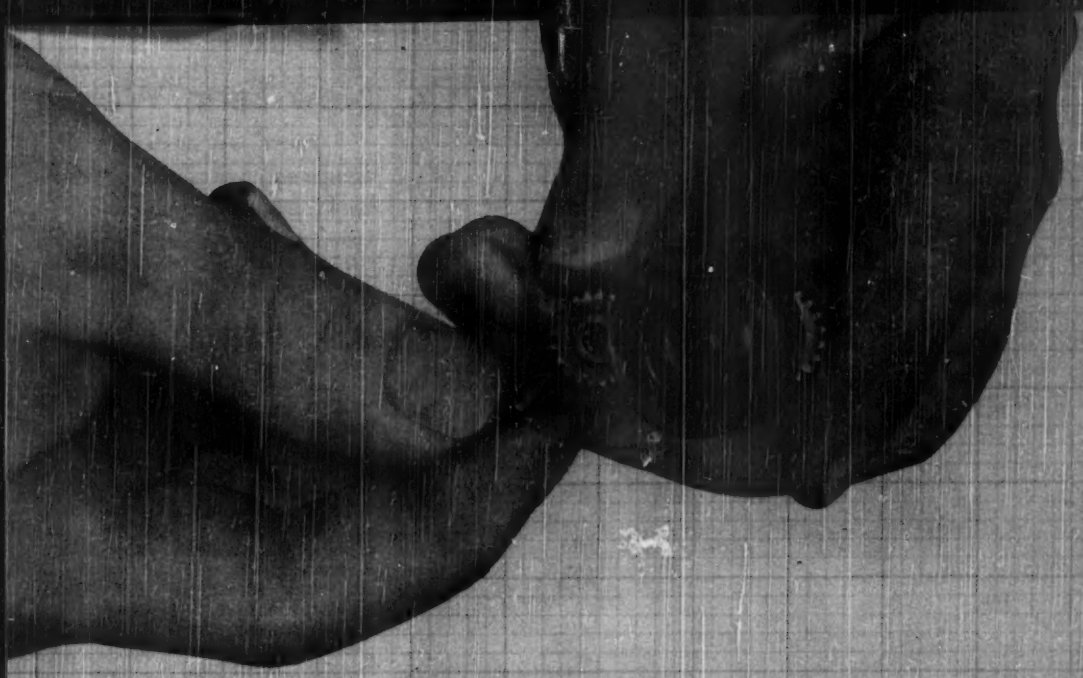
Possibility: If the bill does go to the White House, Truman may veto it in order to get some of the small business vote. Independent retail druggists and grocers, especially, are against any changes in Robinson-Patman.

• **Postal Rates**—Post Office Department deficits keep stirring economy-minded congressmen to demand that the service be self-sustaining. There won't be any changes in first-class postage rates. There's a good chance that parcel post rates may go up some (which would hit mail-order houses). And the penny post card may go to two cents (which would double a cost-of-sale item for many an advertiser).

• **Anti-Merger Bill**—Congress may pass the amendment to the Clayton act which would give the Federal Trade Commission authority to stop any business merger which lessens competition. Truman called for approval of this bill in his message to Congress—and all it

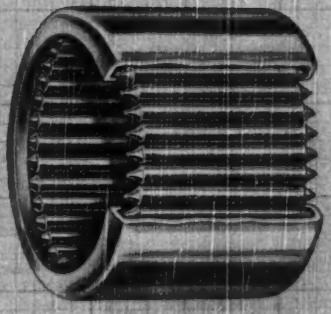
The Light Touch

The newest addition to the Times Square collection of "spectaculars" is an 800-million-candlepower flashlight beam advertising Eveready flashlights and batteries. According to Douglas Leigh, Inc., which designed and built the giant torch, the beam shines more than five miles up into the air and can be seen by almost anyone within 100 miles of Broadway. Since advertising and press agentry go hand in hand in the Times Square area, no one was startled when the Ringling Bros.' aerialist, Antoinette Concello, dangled from a bar above the crowded sidewalks to press the button that turned on the display.



TORRINGTON NEEDLE BEARINGS

contribute to compact design



For high load capacity in restricted space, Torrington Needle Bearings are unequalled by any other type of anti-friction Bearing.

Assemblies incorporating Needle Bearings are models of engineered compactness, simplicity and efficiency. This engineering advantage of Torrington Needle Bearings has contributed to important design advances in many products. When your problem is to secure compact, lightweight design with high unit capacity, the Torrington Needle Bearing is specially engineered to meet your requirements.

THE TORRINGTON COMPANY
Torrington, Conn. • South Bend 21, Ind.
District Offices and Distributors in Principal Cities of United States and Canada

TORRINGTON *NEEDLE* **BEARINGS**

NEEDLE • SPHERICAL ROLLER • TAPERED ROLLER • STRAIGHT ROLLER • BALL • NEEDLE ROLLERS

would take is a Senate vote, since it has already been passed by the House. Mergers of manufacturers are the main target. But FTC would also keep a sharp eye on mergers of distributors.

Aside from the bills above, there are others that are stalled at the moment, but which pack a wallop if they ever come to life.

• **Labeling Laws**—A series of proposals, similar to the wool-products labeling act, would require labeling of fur, cotton, and synthetic fibers. The fur labeling bill has gone farther than the other two; it has already passed the House. But it's a tossup whether the Senate will get around to passing it.

Retailers and manufacturers of furs generally are against the bill. Main reasons: High-style, high-price stores like to publicize their own labels, don't want a manufacturer's label in the garment; stores that compete on price don't like to have their competitors discover their sources of supply from the mandatory labels in the garments.

Among the bills which are pigeonholed for sure this session are those which would:

(1) Stop tire manufacturers from retailing tires;

(2) Stop any manufacturer or wholesaler from going into the retail business;

(3) Boost taxes on cooperatives;

(4) Repeal the Miller-Tydings act, which gives federal sanction to state fair-trade or retail price-maintenance laws;

(5) Re-instate the Federal Reserve Board's authority to regulate consumer installment credit.

• **Pensions, Too**—Retailers and wholesalers are showing great interest in the pension issue. They want to see more federal, rather than private-company pensions. They figure that it will cost them less if the government runs pensions than if they roll their own. But actually they are in favor of almost any kind of pensions, because a good slice of the benefit payments is spent in retail stores right away.

TV-SET PRICES DOWN

Manufacturers of television sets are slashing the prices on their new 1950 models. This was more or less expected. But what has surprised the trade is the size of the cuts. Here are some sample 1950 price tags, to show what's happening:

Philco's 12½-in. table set is priced at $199.95—$60 less than last year's comparable model. RCA's 16-in. table set sells for $299.95—$95 less. Admiral's 12½-in. table set is tagged at $179.95—down $70. Westinghouse and General Electric are charging $179.95 for their 10-in. table models—both down $20 from the prices for last year's comparable models.

New Farm Wants

Farms will need different equipment and services from banks, manufacturers, railroads. New crop controls are reason.

Businessmen who sell goods and services to farmers had better get set for a widespread upheaval in their market. There's now little doubt that it is bound to come as a result of the production controls in the 1949 federal farm-prices act.

For manufacturers it will mean considerable changes—and in some cases increases—in the demand for a wide range of goods, from farm equipment and machinery to fertilizers, chemicals, and seed. For bankers it will mean changes in the farmer's credit needs. For railroad men it will mean shifts in farm-produce freight patterns.

• **What Controls?**—This year at least six crops—cotton, tobacco, corn, wheat, peanuts, and rice—will be under acreage allotments, which limit the number of acres a farmer can plant (BW—Nov.19 '49,p46). And of these at least two—tobacco and cotton—will also be under marketing allotments, which limit the amount he can sell.

Some idea of what these controls can mean to businessmen is shown by the cotton farmers' vote last month. They voted heavily in favor of marketing regulations that will hit the big producers of California and Texas harder than the small producers of the Southeast—which means fewer buyers for mechanical pickers.

• **Phase No. 1**—For the most part the changes will come slowly. Here's the way that farm experts think the program will go:

The first phase—the one we're now in—will be one of acreage controls mainly. There won't be limitations on what farmers can sell. This means that they are free to increase production per acre if they can. So controls in this period may act like a dose of benzedrine on the demand for fertilizer, insecticides, weed killers, spraying and dusting equipment, irrigation equipment, and other tools for intensified farming.

During this phase farmers will also be free to shift out of controlled crops into other crops not yet controlled. Milo maize, for instance, may be planted by many farmers forced to reduce their corn or wheat acreage. This, in turn, may open up new markets for special types of equipment—such as hammer mills or silage cutters to process milo maize into a suitable livestock feed.

• **Phase No. 2**—A second phase of controls is expected because nobody really

believes that acreage allotments alone will reduce production—not with price supports as high as they are in the 1949 act. Take wheat. Despite a 15% acreage reduction in winter wheat acreage, the government's December forecast put the reduction at only 2% of output.

So in the second phase there would be limitations on how much the farmer can sell. Few farmers look this far ahead. But they realize that if controls do put them more heavily into grass and legumes—which would be the end result of the controls—they'll be needing something quite different in goods and services.

• **Markets Shift**—Here's what a grassland farming pattern might very well do to the demand for:

Equipment. Demand for mowers, side-delivery rakes, hay balers, field choppers, blowers, and drying equipment would get a boost. There would be a demand for small grain combines to harvest seed, perhaps offsetting the loss of combine sales for soybeans and small grains. Grass farming might well require many farmers to buy a second tractor.

Fertilizer. Grassland farming will offer an opportunity for bigger volume than ever before. But during the changeover, demand may drop as cotton and corn farmers take their first fling at grass. In the long run, however, the industry expects consumption will rise over anything they have known—it may even double within the next 20 years.

Buildings. Biggest change will probably be an increased demand for silos. Some cash grain farmers may build new barns for cattle feeding. And many farmers will take a look at new automatic hay feeding methods.

Insecticides. Demand for insecticides in cotton farming will decrease. But their use for corn and small grain is so new and is increasing so fast that production controls will probably not affect demand much. Weed killers are in the same position.

Credit. A farmer who shifts from any of the traditional cash crops to a grass plan often needs financing for fencing, fertilizer, new machinery. And he has to wait a year before he gets any return. Grassland plans worked out by banks in the St. Louis area amortize loans over a longer period than is usual in production loans to farmers.

Freight. The railroads will first feel the effect of production controls when the profitable business of hauling cotton from California and Texas to southwestern mills begins to drop off. Later they will begin to feel the effect of smaller wheat and corn crops—particularly if surpluses no longer move to Gulf and East Coast ports for shipment abroad.

MARKETING BRIEFS

Fred Lazarus, Jr., president of Federated Department Stores, was tapped this year for the Tobe Award, the retailers' Oscar.

•

A $5-million shopping center is slated for Levittown, the Long Island (N. Y.) housing project for veterans. Woolworth, Grand Union, and A & P have already signed leases. Hempstead Division Construction Corp. claims that its 35-acre center is the largest one in the East.

•

Lever Bros. reports that Surf, its new no-rinse synthetic detergent (BW—Nov.5'49,p56), is selling at a rate equal to Rinso in three test cities. Lever's new $2-million factory for Surf will be finished in February and by spring the product will have national distribution.

•

Best & Co. has cut back its suburban expansion program by closing unexpectedly its branch store in Rye, N. Y. It has given no explanation for the move.

•

Mail-order houses once more offer lower prices in their new spring-summer catalogs. Alden's prices average 9% lower than last spring; some cuts run to 35%. Sears, Roebuck's prices average 7% lower than a year ago; 64% of the items are priced lower, 30% show no price change, 6% show only slight increases.

•

Monday closing—to give employees a two-day week-end—went into effect in four major Rochester (N. Y.) stores this week. They will keep open two nights during the week. Other Rochester stores may go along with the plan.

•

Steel shortages resulting from the steel strike are still harassing the electrical-appliance industry (BW—Dec.17'49, p62). Westinghouse is using what steel it can get to produce low-end models of refrigerators, ranges, and other major appliances. And it has had to put off the introduction of two de luxe ranges until the second quarter.

•

Hosiery shipments during November hit more than 14.4-million dozen pairs —27.2% more than in November, 1948. That put shipments for the 11 months of 1949 just a shade behind the 1948 total of 134.2-million dozen.

•

Electric Auto-Lite has cut its prices on auto storage batteries for the second time in eight months. This cut is 7½%. The company attributes the move partly to lower lead prices, partly to more efficient production methods.

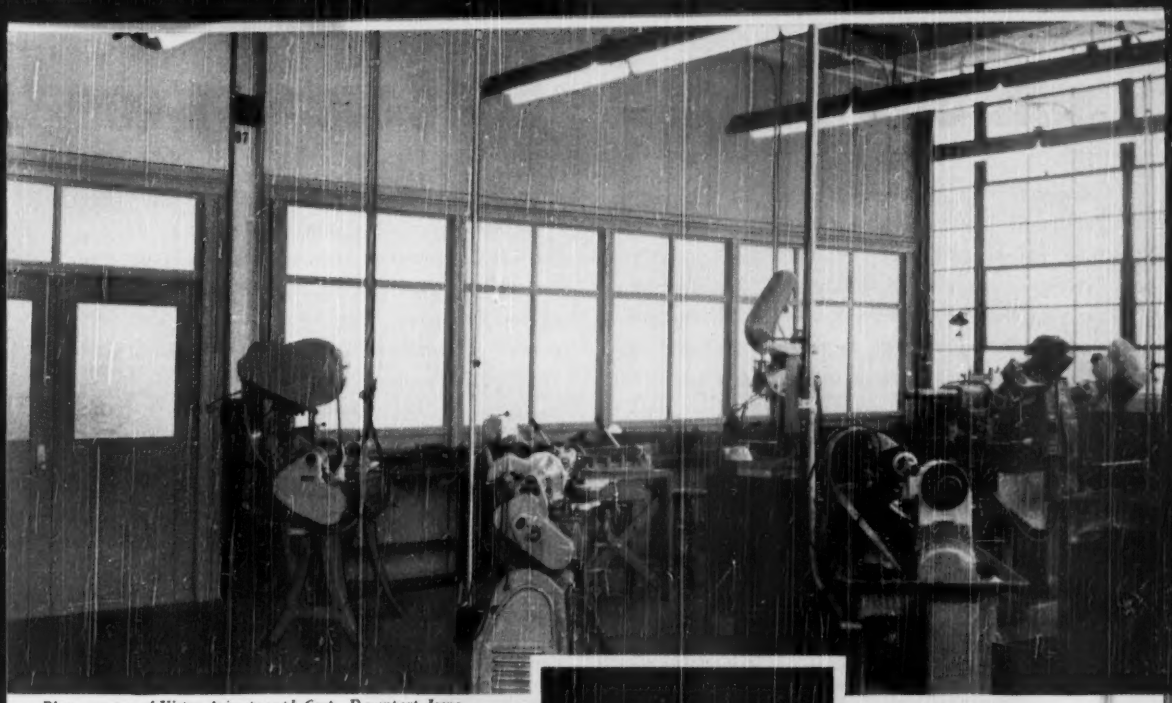


Photo courtesy of Victor Animatograph Corp., Davenport, Iowa

WILL THIS DEPARTMENT BE *here* NEXT YEAR?

That's a good question. Especially today when rapid technical developments often make it necessary to move old departments, create new ones and reallocate space generally.

Thousands of manufacturers have met this problem by installing Hauserman *Movable* Steel Interiors in every department . . . from the president's office to the shipping room.

They know from experience that Hauserman Interiors can be moved quickly and inexpensively whenever new floor layouts will promote production or administration efficiencies. What's more, there's a suitable Hauserman Interior for every operation and construction requirement.

A Hauserman representative nearby will be glad to show you all the many Hauserman advantages. Just write or call him, or contact *The E. F. Hauserman Company, 6913 Grant Avenue, Cleveland 5, Ohio.* There's no obligation, of course.

Our fully-illustrated, 60 page catalog will show you how Hauserman Interiors can be adapted to your building. Just drop us a line and a free copy will be on the way to you.

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Sun products have been "Job Proved" in the lubrication of almost every type of mining, manufacturing, power, and transportation equipment . . . in refrigeration and air-conditioning . . . in metal cutting, tempering, and quenching . . . in the processing of textile fibers, leather, natural and synthetic rubbers . . . in the impregnation of electrical, electronic, and packaging materials of many kinds.

To help you solve your production problems, Sun Oil Company offers a wide selection of "Job Proved" petroleum products, plus the experience of Sun Engineers. Their know-how and detailed product information are yours for the asking. Call your local Sun office, or write Dept. BW-1.

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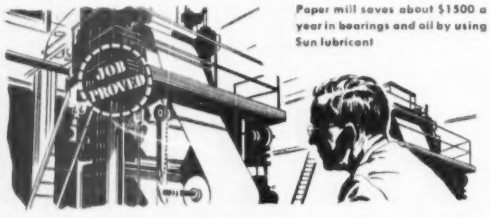
INDUSTRIAL OILS

SUNVIS 900 OILS—High-viscosity-index, paraffinic-type oils—of uniform O F pour point—fortified against rust, corrosion, oxidation, and sludge. The finest available lubricant for turbines, hydraulic systems, and similar applications.

SUNVIS HD 700 OILS—High-viscosity-index oils containing additives which minimize oxidation and give detergency. Ideal lubricants for internal combustion engines subjected to continuous heavy loads under the most adverse conditions.

SUNVIS OILS—Solvent-refined paraffinic-type oils of uniform high viscosity index, low pour point, and low carbon content. Especially suitable for application to long-time use in all types of industrial reservoirs and circulating systems.

DYNAVIS OILS—Low-pour-point, high-viscosity-index, inhibited oils, containing an additive which helps prevent formation of harmful corrosive and sludge-forming acids. Well suited for engines fitted with alloy bearings and operated at high temperatures.



Paper mill saves about $1500 a year in bearings and oil by using Sun lubricant

SOLNUS OILS—Well-refined straight mineral oils. Stand up under hard use for long periods of time. Recommended for use in machine tools, air compressors, certain types of diesels, etc.

CIRCO OILS—Used for general lubrication of industrial machinery when straight mineral oils are required.

SUNTAC OILS—100%-petroleum products which have been compounded to increase their adhesiveness. Recommended for general lubrication of all machines subjected to sudden shocks and load reversals. Cling to the parts to be lubricated.

STEAM CYLINDER OILS—High flash and fire point lubricants for either saturated or superheated steam conditions and for worm-gear speed-reduction units.

SUN CAR JOURNAL OILS—Dark oils meeting A.A.R. Specifications. For use in waste-packed bearings of railroad equipment.

SUN DELAWARE OILS—Dark oils for general lubrication on older types of industrial machinery.

SUNOCO WAY LUBRICANT—For use on tableways. Eliminates chatter and scoring . . . resists corrosion. Has good metal-wetting and adhesive properties, ample viscosity, and E. P. qualities.

SUN MARINE ENGINE OILS—Compounded with special emulsifying agents in order to provide adhesion to, and lubrication of, working parts in the presence of water. For the lubrication of bearings, eccentrics, crossheads, and various other parts of steam engines.

ROCK DRILL OIL—High-film-strength adhesive oil. For use in jackhammers, stopers, drifters, and similar equipment.

INDUSTRIAL GREASES

SUN CUP GREASES—Water resistant. For grease-cup and grease-gun application when service is normal.

SUN GUN GREASES—Smooth greases made with medium-viscosity oil. Stable under pressure in power and booster guns.

ADHESIVE PRESSURE GREASES—Won't drip or splash. Excellent lubricants for open-gear applications.

SUN DARK PRESSURE-SYSTEM GREASES—For power-driven central grease lubricating systems in heavy industries. Also used as a "medium cup grease."

SUN MINE CAR GREASES—Available in several grades. Suitable for both antifriction bearings and plain-bearing cavity-type wheels.

SUN MINING MACHINE LUBRICANT—Semifluid. For use where a light but adhesive grease is required. Resists separation and decomposition.

Chemical plant saves about $8000 per year by adopting Sun Pressure Grease

SUN ROLLER BEARING GREASES—For use on electric motors and generators and high-temperature machinery equipped with ball or roller bearings.

SUN GEAR COMPOUNDS—Black adhesive open-gear compounds and

"JOB PROVED" IN EVERY INDUSTRY

SUN PETROLEUM

SPEED PRODUCTION, IMPROVE QUALITY

wire-cable greases. Recommended for power presses, mining machinery, worn reduction mills, crushers, pump gears, etc.

SUNOCO TRACTOR ROLLER COMPOUND—For crawler-type tractors. Provides good lubrication with exceptional sealing qualities.

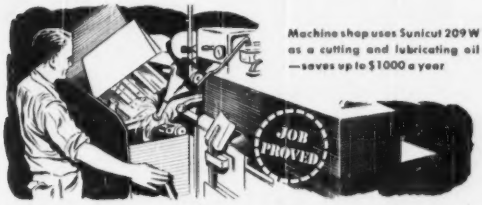
METALWORKING OILS

SUNICUT—Straight (non-emulsifiable) transparent cutting oils. Recommended for automatic screw machines and heavy-duty machining operations. Permit high speed production with excellent finishes, long tool life.

SUNOCO EMULSIFYING CUTTING OIL—A self-emulsifying oil which produces a stable white emulsion. Efficient and economical cooling and lubricating medium for turning, milling, drilling, and other metalworking operations on both ferrous and nonferrous metals. It is also an excellent grinding coolant.

SUN QUENCHING OILS—Specially refined oils designed to aid development of maximum physical properties in a wide variety of steels.

SUN TEMPERING OILS—Specially refined oils for tempering steel. Because of their low carbon content and stability under heat, these oils have an unusually long service life.



Machine shop uses Sunicut 209W as a cutting and lubricating oil—saves up to $1000 a year

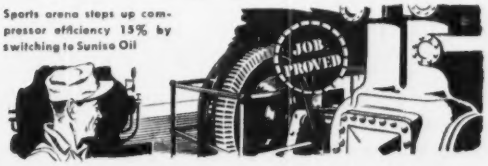
SUN ROLLING OILS—Straight and emulsifying oils which will permit maximum production in rolling steel, aluminum, brass, and copper.

SUN ANTI-RUST COMPOUNDS—Petroleum-base oils with chemical additives designed to prevent the rusting and corrosion of steel.

REFRIGERATION OILS

SUNISO REFRIGERATION OILS—Have extremely low pour points, extremely low wax-separating characteristics, a high degree of stability and long life. Initially neutral and resistant to formation of detrimental acids under service conditions. Suniso Oils are high quality oils suitable for both high- and low-temperature operations. The most widely used oils in refrigeration and air-conditioning.

Sports arena steps up compressor efficiency 15% by switching to Suniso Oil



TEXTILE-PROCESSING OILS

SUNOTEX TEXTILE OILS—Designed to impart certain additional properties to various forms of fibers during their processing from the fiber state into a manufactured product. All Sunotex textile oils are emulsifiable in water. Highest rating in fadometer tests.

SUN COTTON CONDITIONING OILS—Pale mineral oils which condition the cotton. They prevent waste by cutting down excessive amounts of "fly" (fine air-borne lint particles).

Worsted mill obtains easier scouring, better quality, larger yield with Sunotex WO-220

SUN ASBESTOS FIBER CONDITIONING OIL—Used for spraying on the asbestos during processing. Fibers are kept from being damaged or broken down, and harmful dust is minimized when this product is used.

SUN CORDAGE OILS—Generally used alone, but are adaptable to various formulas used by cordage manufacturers. Selected products, highly compatible with additives.

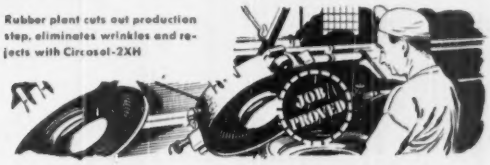
RUBBER-PROCESSING AIDS

CIRCOSOL-2XH—An elasticator and processing aid for natural rubber and especially for GR-S. Outstanding for sponge rubber.

CIRCO LIGHT PROCESS AID—A processing agent and excellent softener for natural rubber, natural rubber reclaims, and neoprene synthetic rubber. Used for GR-S to some extent.

SUNDEX-53—An inexpensive product suitable for processing GR-S and blends of GR-S and natural rubber. An established processing aid for rubber footwear stocks and semihard rubbers.

Rubber plant cuts out production step, eliminates wrinkles and rejects with Circosol-2XH



CIRCOMAR-5AA—A black-colored product for processing natural and GR-S rubber used in tire-making. Also used in reclaiming natural-rubber scrap. Replaces asphalt fluxes. Free-flowing at room temperature.

WAXES

Sun's new wax plant will be completed in 1949. Its many refining innovations and extreme flexibility will permit new types of waxes to be manufactured in large quantities—a procedure heretofore impracticable. A wide range of fully refined paraffin and microcrystalline waxes will be "tailor-made" to meet the requirements of virtually all major industrial applications. Pilot plant samples of several grades are now available.

MISCELLANEOUS INDUSTRIAL PRODUCTS

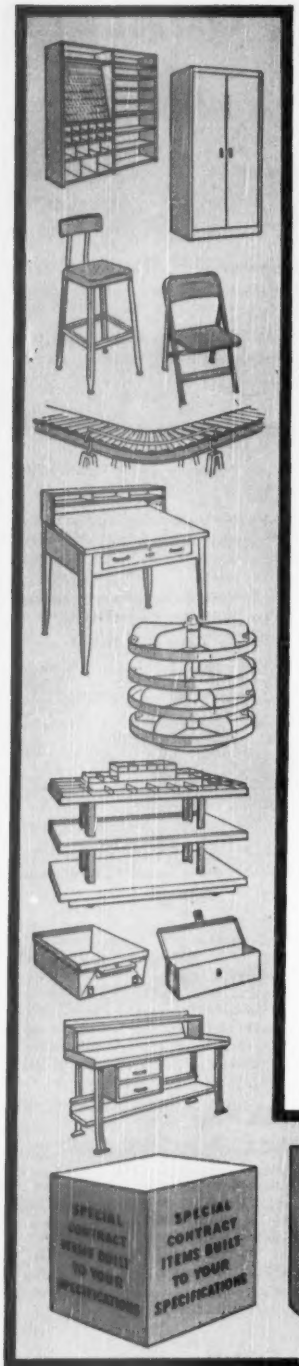
SUN SOLVENTS—Sun Spirits for the thinning of paints, varnishes, and enamels, and for metal-cleaning . . . a pure, water-white petroleum solvent free of corrosive sulphur. Other Sun solvents with special properties are available for the chemical industry.

SUN LEATHER OILS—Mineral-base leather oils. Used for obtaining the desired tensile strength, proper temper, and controlled moisture content. Maintain a light even color . . . mix well . . . distribute evenly.

"JOB PROVED" IN EVERY INDUSTRY

PRODUCTS

SUNOCO



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STEEL EQUIPMENT

OVER **1500** CATALOGED ITEMS, FOR

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LYON METAL PRODUCTS, INCORPORATED

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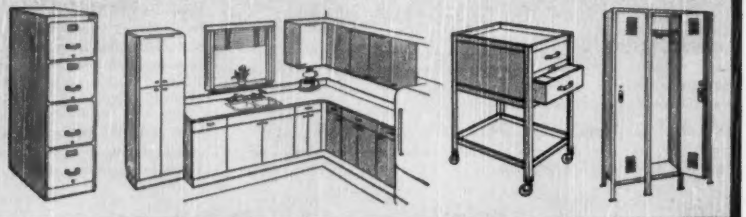
Warehouses, Branches and Dealers in Principal Cities



A PARTIAL LIST OF LYON PRODUCTS

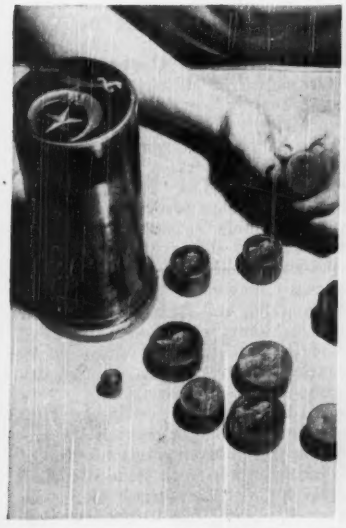
- Shelving
- Lockers
- Wood Working Benches
- Economy Locker Racks
- Kitchen Cabinets
- Display Equipment
- Hanging Cabinets
- Welding Benches
- Filing Cabinets
- Cabinet Benches
- Folding Chairs
- Drawing Tables
- Storage Cabinets
- Bench Drawers
- Work Benches
- Drawer Units
- Conveyors
- Shop Boxes
- Bar Racks
- Bin Units
- Tool Stands
- Service Carts
- Hopper Bins
- Parts Cases
- Fish Drawer Files
- Tool Trays
- Desks
- Stools
- Tool Boxes
- Sorting Files
- Revolving Bins

COMPANIES

EXAMINING THE STOCK IN TRADE: D. T. Winter, Osborne's vice-president and sales manager (left), and Clifford Stegman, president, look over some good luck coins.

Osborne: They're Coining It

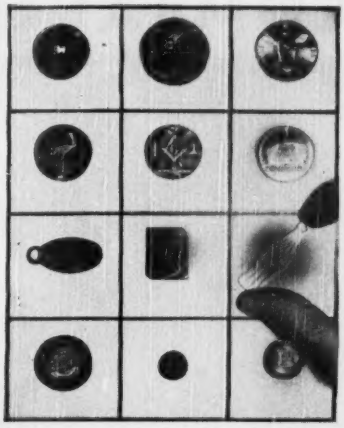
Cincinnati company coins everything but money—and makes plenty of money doing it. (Story begins on page 58)



SOME OF THE DIES that make Osborne coins, including (left) the largest (3-in.) and smallest (⅛-in.). These dies, used in . . .

DROP HAMMERS, like this one, punch the coins out of sheets of various types of metal. (TURN TO NEXT PAGE)

OSBORNE (cont'd from page 57)



COINS, MEDALS, BADGES, TOKENS —for every use except as money—make Osborne Coinage Co., of Cincinnati, a . . .

Token Success

Osborne's main stock in trade is tokens: sales-tax, bus and streetcar, advertising. It made OPA's ration tokens, too.

Who helped elect Lincoln in 1864—but also boosted his opponent, George B. McClellan?

Who made money out of OPA?

Who bought 2-million pennies last year all at one time?

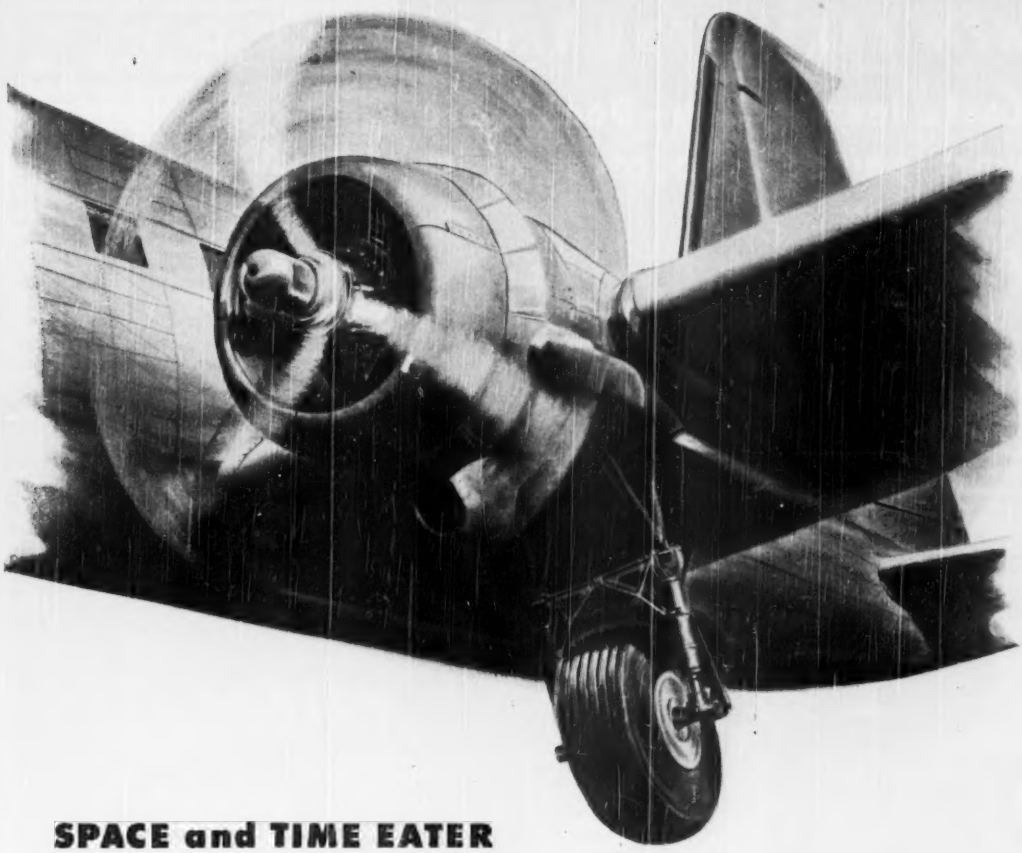
Who makes more coins than everyone else combined except the U. S. Mint?

Answer: Osborne Coinage Co., of Cincinnati. In an average year, Osborne makes more than 200-million coins, nearly enough to supply two apiece to every man, woman, and child in the United States.

• **Not Money**—The "coins" Osborne makes aren't legal tender. Its products are such things as company scrip, advertising and sales-promotion tokens, sales-tax tokens, streetcar and bus tokens, religious medals, political badges, club and fraternal badges and medals, souvenir coins. They're all made by the same coining process by which metal money is made, and Osborne calls them all coins.

• **For Business Use**—The biggest business use of Osborne coins is for premiums and sales-promotion tokens. Osborne has made more than 30-million coins for The Crackerjack Co.; more than 20-million for International Shoe Co.; more than 18-million for Procter & Gamble Co.

The coins are used for many pur-



SPACE and TIME EATER

First, the windy emptiness of Kitty Hawk where two brothers changed the outlook of a world. Later the thrilling words at Le Bourget, "I am Charles Lindbergh." And then, Odom's 73-hour shrinkage of the globe. Tomorrow, instead of the propeller, you will hear the roar of jet power breaching the wall of sound.

These and a hundred other milestones are pure drama. But they have led aviation into big business—eating space and time for freight and passengers all over the world.

In every great advance of aviation, SKF was there to help. And SKF will be on hand, behind the scenes, helping to make new advances possible and practical. Higher, safer speeds, longer engine life, lower costs are due to advanced engineering all along the line.

As aviation progresses, SKF keeps pace with Ball and Roller Bearings made by the most modern techniques of design, manufacture and quality control. SKF INDUSTRIES, INC., PHILADELPHIA 32, PA. 7028

SKF

BALL AND ROLLER BEARINGS

8 REASONS WHY SKF IS PREFERRED BY ALL INDUSTRY

INTEGRITY · CRAFTSMANSHIP · METALLURGY · TOLERANCE CONTROL · SURFACE FINISH · PRODUCT UNIFORMITY · ENGINEERING SERVICE · FIELD SERVICE

Pioneers of the Deep Groove Ball Bearing—Spherical Roller Bearing —Self-Aligning Ball Bearing.

poses; introductory tokens good for cut-price or free merchandise, for instance, or prizes, or lucky pieces, or employees' long-service medals, or medallions to commemorate a company's anniversary, or keepsake medals for hotels and resorts.

Giveaways are a big source of business for Osborne. (One reason may be that giving away coins with your product is a lot cheaper than giving away yachts on a radio program.) Last fall, for instance, Osborne bought 2-million pennies, which it proceeded to imbed in giveaway lucky pieces ordered by Chevrolet.

A more usual type of giveaway is the coin that can be packaged right in with the product—one to a package. Osborne has sets of related coins for this purpose, which have the added advantage of appealing to the public's collector instinct, and thus boosting sales of the product.

• **All the Presidents**—One such is a set with heads of all of the U. S. Presidents. The company gets permission from living presidents before adding their pictures to the set. When it asked F.D.R., his comment (as recorded in a letter in Osborne's files) was:

"Just let them try to put out a set without me!"

• **Scrip**—One business use of coins that's not so important today as it used to be is company scrip: tokens that companies use to pay their employees part of their salaries, and that are good only in company-owned stores. Mining companies, steel companies, and lumber camps have been the chief users; this market is declining because the practice of paying in scrip has fallen into disfavor.

Religious coins are a big market for Osborne. The company estimates that it makes 95% of all religious coins produced in the U. S.

• **114 Years Old**—The company dates back to 1835, when Murdock Stamp & Specialty Co. was formed in Cincinnati to make coins, badges, and similar items. Political badges were a big source of business in those days: In 1864 the company made one coin with Lincoln's head that said, "In Every Crisis Remember Lincoln"; another with McClellan's head that said, "Geo. B. McClellan for President" (picture, above).

In 1920 Murdock was bought by Wylie Osborne, who changed its name to Osborne Register Co. After he took over, the company rapidly expanded its operations in the scrip and token fields. In 1942 Dayton Acme Co., a research, engineering, and electrical-manufacturing concern, rented some factory space from Osborne; in 1944 Dayton bought the company outright.

• **5-Billion Tokens**—It was at that point that the firm got what was—and will

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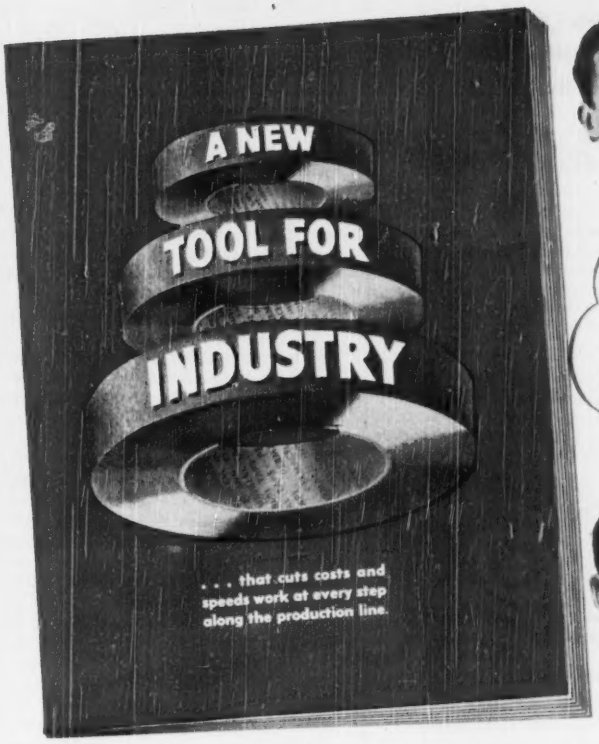


LIKE AN EASY WAY TO SPEED UP YOUR PRODUCTION LINE? SEE PAGE 3!

BIG MAINTENANCE COSTS GOT YOU DOWN? IDEAS ON PAGE 9 MAY PICK YOU UP!

LIKE TO KNOW ABOUT THE SCORES OF INDUSTRIAL TAPES AND THEIR USES? SEE CHART ON PAGE 12!

WHATEVER YOUR BUSINESS you'll find these 16 pages of facts, figures and pictures will help you cut costs for 1950! Just drop a note—on your company letterhead, please—to address below for your copy.

Permacel®

INDUSTRIAL TAPES

INDUSTRIAL TAPE CORPORATION · NEW BRUNSWICK, N. J.

MEMORIES OF THE PAST: Old dies in Osborne's collection include 1864 campaign medals for Lincoln and McClellan.

very likely remain—its biggest single job. OPA decided to simplify its ration books by using tokens for rationing small-change. It gave Osborne an order for 2-billion of the things. Catch was that they had to be delivered in five months. Osborne made it—using 1,300 workers on three shifts, and reaching a production figure as high as 80-million a day at times. More orders of this nature followed; Osborne made all the ration tokens used during the war in this country and Canada—a total of about 5-billion.

In 1945 Dayton Acme bought the food-machinery division of Cincinnati Time Recorder Co., which made slicers, choppers, and scales, and made it a part of Osborne Register. And Osborne Register itself started to develop a cash register.

• **New Owners**—Then, in 1947, three Dayton Acme executives bought all the coin and token equipment from Osborne Register, and incorporated as Osborne Coinage Co. The three were Clifford Stegman, now president, Duane T. Winter, vice-president and sales manager, and Fred Orelup, vice-president and general manager. After that, the business of Dayton Acme and what was left of Osborne Register went downhill; they were both declared bankrupt last Nov. 1.

But the new company continued to do well. Its 50 employees are now turning out chauffeur badges for Kentucky, dog licenses for Virginia, property tags for Texas, bus tokens for the Philippines. And its business is still growing.

Since it's a small, closed corporation, no dollars-and-cents financial or sales data are available. But it has announced that business in its 1949 fiscal year, which ended Sept. 30, was 35½% ahead of 1948.

PRODUCTION

Plastic—But Strong, Too

Reinforced plastics, which combine strength with conventional plastic properties, are gaining in use. Applications stem from improved production methods, better combinations of material.

Reinforced plastics have begun to come into their own. The combination materials, which provide strength with lightness, are proving the answer to more and more companies' materials problems.

• **Sheen and Substance**—Just as concrete needs steel reinforcement for heavy work, so plastic resins need backing up for roles as structural materials. Glass cloth, glass or sisal fibers, combined with the resins can turn plastics into strong, durable materials for radio cabinets, machine housings, refrigerator panels, and many other products.

Besides strength, these reinforced materials have all the features of conventional plastics: (1) They can be formed into unusual shapes; (2) assembly can be done with adhesives so interior surfaces are left smooth; and (3) a variety of colors can be molded into the product. But their main advantage is that they can be used for big parts under heavy loads.

• **Slow to Take**—Reinforced plastics aren't new by a long shot (BW—Mar.2 '46,p46), but technical progress has been slow. For one thing, processing takes a lot of handwork in laying up the resins and reinforcement over the mold form. The strengthening agents aren't cheap; neither are the resins. So development costs, on a new use, run high. And manufacturers have been a little scary about jumping in.

• **Increased Use**—Today the picture has begun to change. Manufacturers are turning to reinforced plastics for more and more of their output. The trend was definitely borne out in Cleveland this week, where Reinforced Plastics Division of the Society of the Plastics Industry held its fifth annual technical exhibit and conference. This section of SPI, through its work on the engineering and technical problems of reinforced plastics, has become the clearing-house for information on the materials.

Officials at the meeting reported that industrial attendance soared over the 300 mark. The typical product exhibit (space free to accredited company participants) attracted fully as much attention as the technical sessions.

Gist of the technical sessions: Production methods are being simplified; new combinations of materials are being tried successfully. A standardization program—aimed at uniform tests for the materials, standards of product behavior and nomenclature—is well under way. And data are now available on the behavior of materials under various loads, temperatures, and humidities, and under attack by solvents.

• **Where They Fit**—Plastics men feel that there's no big future if the materials must compete on a cost basis with steel in tonnage applications such as automobile fenders. But in a machine or radar housing, an airborne part of complicated shape, or a tote box, it's a different story.

• **Background**—To understand what progress has been made, it helps to know a little about how reinforced plastic products are made.

They are made in several ways. The main idea is that the reinforcing agent takes most of the loading; the plastic resin bonds the whole thing together and holds it in final shape. You start with a form, in one method. Over the form are laid sheets of impregnated cloth, in alternate layers with resin, until desired thickness is reached. Then the whole assembly is cured to shape under slight heat and pressure. This curing can be done in a rubber bag under a vacuum that causes the bag to exert uniform pressure on the assembly. Or it can be done in a press fitted with male and female dies, in the shape of the final product, Apex Electrical Mfg. Co. uses this technique to make parts for its washing machines (BW—Mar.5'49,p44).

• **Hat Molding**—Another way to make reinforced plastics is to utilize the "hat molding" technique. A wire screen, in the shape of the part, is immersed in a slurry of resin and reinforcing fibers. Vacuum is applied. This sucks the fibers against the screen, and a thickness of material is gradually built up. When the size is right, the uncured shape is taken from the form, put under heat and pressure between dies to obtain final dimension and rigidity. The system is an adaptation of the method which is used to make felt hats from rabbit fur.

• **Variation**—C. D. Jones, of the Structurlite Plastics Co., described a cost-

cutting variation of this method at the meeting. In the Structurlite system, fibers are dispersed and introduced into the top of a suction chamber. As vacuum is applied to the wire form, the fibers are sucked on. Uniform distribution of the fiber is obtained by rotating the screen form and controlling the air flow. As the fibers are deposited, the bonding agent is sprayed or dusted on. The "preform" is dried and cured in an oven while still on the screen. By using a tilted turntable, Jones says, uniform dispersion of fibers can be obtained on all sides of a part.

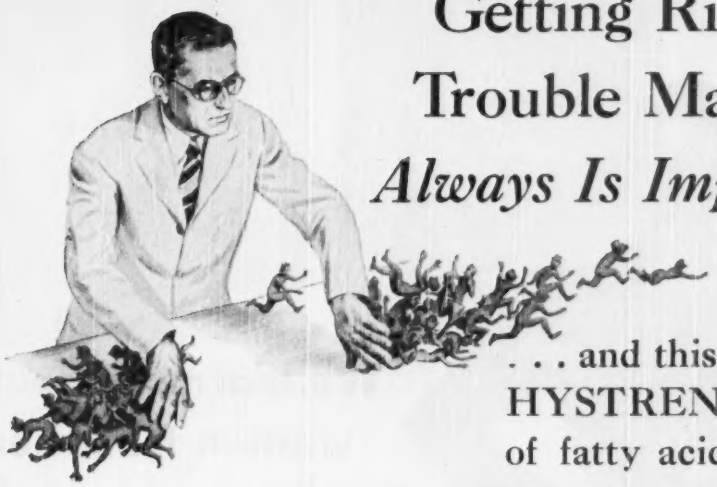
Jones says his "hat" system has definite production advantages. For one thing, it uses glass fibers, which are cheaper than glass mats in first cost. Then, too, glass mats must be "tailored" to the approximate shape of the finished piece. Structurlite's process permits diversification in size and shape of parts, easy variation in wall thickness. It is best adapted to parts that are symmetrical in shape. However, it does require a fairly substantial investment in equipment.

• **Glass Yarn**—Dr. Jesse Plummer, of Glass Fibers, Inc., reported progress in another phase of cost cutting. Plummer's company has been working on the cost angle of glass fiber. He cited these figures: Glass cloth for laminates ranges between $1.77 to $3.37 per lb.; glass mats of various types cost 45¢ to $1.50 per lb.; yarn with a low twist is 41¢ a lb., untwisted is even lower.

Glass Fibers, on that basis, went after ways of using the yarn. The company had another reason: The more glass reinforcement you can pack in a laminate, the stronger it is. With cloth, only 60% of the cross-sectional area is glass (40% is resin), with stranded glass mat 50% is glass, with glass mat using random arrangement of fibers 35% is glass. But with parallel glass fibers, you can theoretically pack 91% glass into the cross-sectional area of the reinforced plastic. That means strength goes way up. The engineer can also lay the direction of fibers in the direction of the stress.

• **The Army**—Dr. R. W. Ehlers, of the Research & Development Branch, Military Planning Division, Office of the Quartermaster General, told the assembled engineers that reinforced plastics had worked out well in many QM items.

Ehlers said the Army is interested in still further use of the materials. But in pointing that out, he laid down a challenge to the industry. He stated that: (1) Materials costs could be lower; (2) sample costs should be reduced, somehow; (3) work on large-scale production methods must continue; and (4) engineers of the industry must work out better methods of estimating costs in advance of procurement.



Getting Rid of Trouble Makers *Always Is Important*

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One of the latest advances of the chemical industry is the virtually complete removal of trouble-making "gremlins" from stearic acid, a well known chemical that enters into dozens of every day products. You might call Hystrene an old chemical renovated by research.

Through a basically different and exclusive process, Hystrene defines a new standard of stearic acid purity. Gone are the impurities which chemists call unsaturates and unsaponifiables—pesky trouble makers which discolor many products made from stearic acid.

Hystrene is remarkable for the almost complete absence of unsaturates and unsaponifiables. What is more—and this *is* a big step forward commercially—Hystrene yields stearic acid of test-tube purity by the ton! Uniform proportions of stearic acid (as high as 97%) and palmitic acid are available. Hystrene is practically devoid of color, taste or odor and is highly heat-stable.

Here, indeed, is a concept so different that it presents fresh challenges to research, new opportunities for product improvement in many fields—chemicals, cosmetics, pharmaceuticals, pigments, plastics, to name a few.

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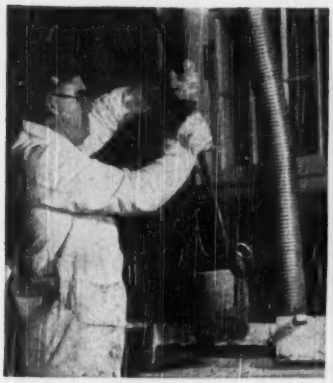
What does she *really* think of the boss? Of career versus marriage? This week's Dow-Jones Averages? Canasta? What are her hopes, her fears, her dreams? Search us. We never asked her about such things. But for years we've been studying exactly what she wanted in a business machine. That's how Monroe's famous "Velvet Touch" was developed. Speedy, effortless, a dream to operate ... no glare... far less tension and no "figure fatigue." Yup, that's how our romance started. And now it's the talk of the office.

MONROE *MACHINES FOR BUSINESS*

Monroe Calculating Machine Company, Inc., General Offices, Orange, N.J.



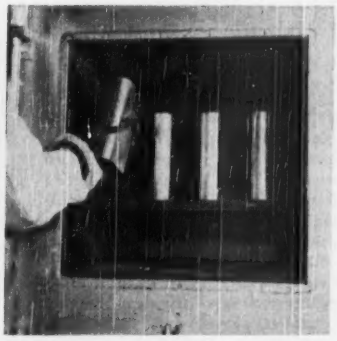
1 Lab worker lifts crucible of experimental aluminum alloy from electric furnace at Kaiser's research rolling mill and . . .

2 Pours the molten alloy into a tilting mold. This produces an ingot the size of a law book for experimental work.

Baby Mill for Better Aluminum

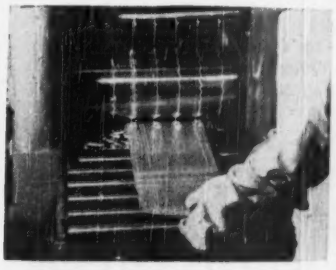
Laboratory-size plant does everything that a full-size aluminum processing mill can do. (STORY ON PAGE 68)

3 Worker lifts cast ingot from the mold. The ingot, now ready for pilot-plant tests, weighs 23 lb. In contrast . . .



4 Full-size ingots, ready for production in Kaiser's rolling mill, measure up to 13 in. in diameter, weigh up to 5,000 lb.

5 Hot ingot starts on its first pass through rolling mill. Object: to find out how the alloy behaves.



6 After several passes, the ingot is squeezed down to sheet thickness. (TURN TO NEXT PAGE)

BABY MILL (cont'd from page 67)

7 Sheets get a heat-treating in still another electric furnace. Now come physical tests to see how they took their rolling.

For Metal Study

Kaiser Aluminum develops new alloys and improves its methods of working with old ones in scaled-down plant.

The surest way to find out how a new material will behave is to process it; and the cheap way to do that is to run it through a miniature plant before you start to work it commercially. Such a toy plant can serve other purposes, too: It can be a big help in the development of new materials. That's the thinking behind the new laboratory operated at Spokane, Wash., by the Division of Metallurgical Research of Kaiser Aluminum & Chemical Corp.

Paul P. Zeigler runs the laboratory; from it he can get an idea how almost any sort of alloy will behave under rolling-mill conditions. Working on ingots weighing between 10 lb. and 23 lb., the little mill simulates actual plant practice. It has facilities to melt, pour, soak, and roll aluminum ingots. The rolling mill in the laboratory is less than 6 ft. high, yet it gives results comparable to a production mill that can exert 2-million lb. of pressure.

One major "product" from the rolling-mill lab is Kaiser's recently introduced high-strength aluminum alloy 150S. Right now, the plant is working on two important experimental jobs: (1) developing other new alloys that will ease problems of fabrication; and (2) working out methods for better plant control of processes.

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Make *sure* that the bearings you use are a sales asset to your product . . . and make them a prominent part of your sales story! Many leading manufacturers have improved both their product and its sales effectiveness with SealMaster Ball Bearing Units.

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FACTORY REPRESENTATIVES AND DEALERS IN PRINCIPAL CITIES

PRODUCTION BRIEFS

The Atomic Energy Commission has released 67 more of its patents for licensing. The Official Register of Patents Available for Sale gives a complete listing.

•

Counterfeit lead being marketed in the U. S. carries American Smelting & Refining Co.'s trademark, Selby. The metal contains an excess of impurities, is apparently a Japanese export.

•

The coal-hydrogenation plant, operated by the Bureau of Mines at Louisiana, Mo., has wound up a seven-week, break-in run. Coal tar was converted into gasoline, naphtha, and vapor-phase charging stock.

•

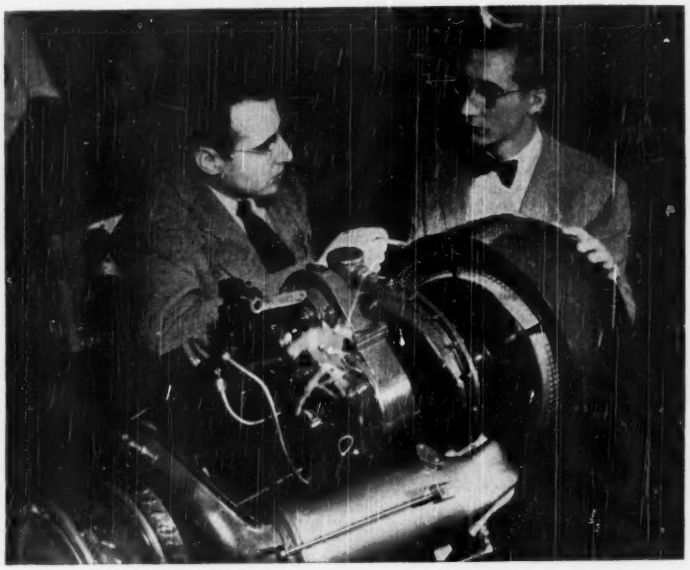
Bakelite Corp. is now the Bakelite Division of its parent, Union Carbide & Carbon Corp. Business and contracts for the division will be handled by Union Carbide.

•

First turbojet engine to be approved by the Civil Aeronautics Administration for commercial air transports is General Electric's J-47.

•

An ultrasonic testing service for materials is offered manufacturers by Sperry Products, Inc., Danbury, Conn. The service provides day-to-day field testing under the supervision of engineers.



Baby Gas Turbine Ready for Marketing

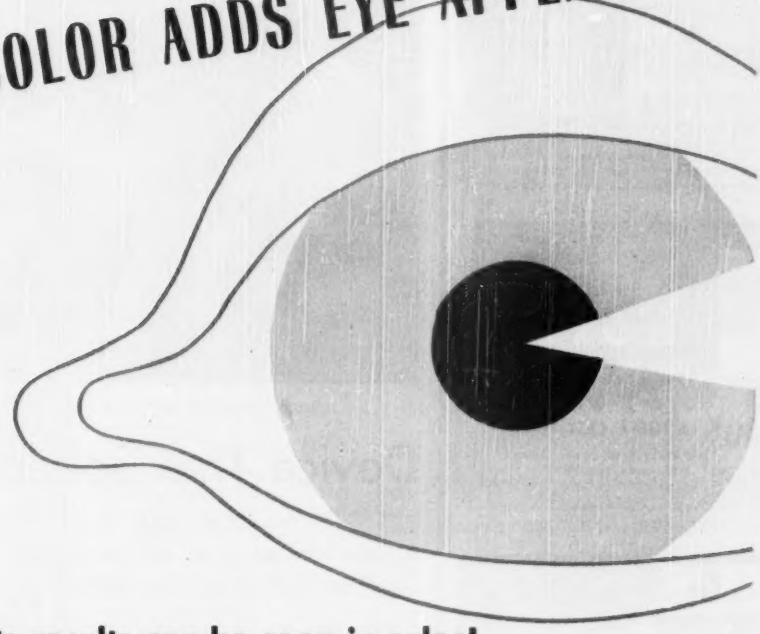
The lightweight gas turbine—suitable for automotive, truck, boat or industrial use—made good progress in the last twelve months. That was the word last week from Boeing Aircraft Co. which has been experimenting with a lightweight turbine for over two years. The company officially unveiled the turbine to automotive engineers just about a year ago (BW—Jan.22'49,p30).

Since then, Boeing engineers have been working out some of the bugs. Compressor noise was a big problem. So a new type of air filter, made of aluminum and Fiberglas, has been developed (picture) to down the high whine of the compressor as it turns at 36,000 rpm. Fuel consumption, high on a gas turbine, is also getting attention.

Now Boeing engineers can point to some specific design advantages of their "502" model: (1) It's light in weight —185 lb.—yet develops 165 hp. on a continuous rating, 200 hp. for emergency use (automotive engines weigh more than 5 lb. per hp.). (2) Delivered horsepower is highly flexible despite the fact that the power unit runs at constant speed. The reason is that there's no solid connection between combustion chamber and turbine—the only link is a stream of hot gases. (3) It is simple to service. Since the turbine has only one-sixth the parts of a conventional engine, one man can assemble and disassemble it in six hours.

Armed with these facts, Boeing salesmen are out looking for orders. The company figures the engine is about ready for commercial exploitation.

MOLDED COLOR ADDS EYE APPEAL...



...and its results can be seen in sales!

Modern psychology pulls no punches in stressing the power of color to attract or repel. So why not be *sure* of attracting buyers to *your* product—with the eye appeal of beautiful, permanent, non-fading Plaskon Molded Color. In our wide range of smart hues you're just certain to discover the one that will dramatize the spirit of your product best. And you'll find Plaskon thermosetting plastic molding compound easy to mold into finished pieces of amazing strength for weight! When we add that even the price is right, we're naturally hoping that *you* will write—for further information.

PLASKON.

MOLDED COLOR

Plaskon Urea and Melamine Molding Compounds are adding sales appeal to Radio Cabinets, Business Machines, Food Equipment, Lighting, Tableware, Stove and Refrigerator Hardware, Wiring Devices, Home Appliances, Closures, Buttons, Cosmetic Packages, Displays, Toilet Seats, Clocks, Dispensers, Premiums, etc.

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NEW PRODUCTS

Conductivity meter tests water purity in a new . . .

Device That Softens Water

By means of plastic filters, the Deeminizer removes impurities from tap water. It leaves product so soft, so demineralized, that it conducts almost no electricity.

Tap water can be converted into a superpure product for laboratory work with the Deeminizer, made by Crystal Research Laboratories, Inc., Hartford, Conn.

The table-top device differs from conventional cartridge-type water purifiers, the maker says, in its efficiency: It yields a product equivalent to triple-distilled water. The treated water, which is handled at a rate of five gallons per hour (batch-loaded), has an electrical resistance of 10-million ohms per cm., according to the company. (Probably the purest water ever produced had a resistance of 23-million ohms per cm. That took repeated distillations by two experimenters in 1894.) Such water, according to Crystal Lab engineers, is especially useful in industrial labs, fine photographic development, sterilizers, storage batteries.

● **Ion Exchange**—Distillation by filtration is accomplished with ion-exchange techniques (BW—Jul.31'48,p32). The water flows through a mixed bed of synthetic resins produced by Rohm & Haas Co. The resins contain positive and negative radicals (cations and anions), which are swapped for (1) the ions that make water hard and (2) the ions that make it acidic. Thus, the water is both softened and demineralized by this "ion exchange."

The instrument itself consists of a rigid polystyrene tube which holds a polyethylene cartridge, set on a base fitted with a conductivity meter. The meter provides a quick check on water purity; it indicates when the cartridge needs replacement. In operation, a jar of water is up-ended on the tube, the water flows through glass fibers that pick off physical impurities, then through the mixed resins which remove and retain the salts that cause hardness.

FOR SAFER BRAKES

On long, steep grades heavy trucks and trailers must be braked continuously. And if the brakes are applied long enough they may give out. This is a bugaboo that truckers call brake fade.

Continuous braking generates extremely high temperatures in brake assemblies. This causes organic deposits from linings to form on brake-block and brake-drum friction surfaces. The organic deposits in turn help create still higher temperatures until the drums

expand beyond reach of the brake blocks. Then the driver is without any brakes at all.

World Bestos, New Castle, Ind., has developed a brake-drum attachment, called Red Block, that is said to overcome brake fade. Four of the segments cover each brake drum on a truck or trailer. One segment is a specially treated compound, which keeps the drum free of organic film and other deposits. This prevents brake surfaces from becoming glazed and ineffective. The other three segments are of a neutral material.

First application of World Bestos' brake attachments was on extra-heavy trucks built for operation in the Mesabi Iron Range. Ordinary friction material wouldn't hold the trucks even on slight grades, while Red Block segments proved successful on long hauls.

Clock-Radio Starts Appliances, Too

Clockwork devices that turn on a radio at a predetermined time for a predetermined period aren't new. But General Electric Co. now has a clock-radio that also turns on appliances like lamps, electric blankets, and even coffee makers.

For this appliance operation, the company has now added an electric timer, called Electronic Servant, to the back of the radio. The appliance plugs into a special outlet on the radio; a clock on the front of the receiver is set to a desired hour, and the timer does the work.

The appliance can also be turned off automatically at any preset time within a 60-minute period. The timer handles appliances with a power consumption of up to 1,100 watts.

An on-off switch at the back of the receiver may be used to cut off the radio sound, if desired, while electric power for automatic appliance operation is kept in use.

The 5-tube set has a cabinet of durable, molded plastic. The front is finished in bright gold, the sides and top in bleached mahogany.

NEW PRODUCTS BRIEFS

An agricultural fungicide, SR 406, made by Standard Oil Development Co., controls a variety of crop diseases. An effective dosage averages a pound of the odorless, tasteless powder for 100 gal. of spray. The distributor is California Spray-Chemical Co., Richmond, Calif., and Elizabeth, N. J.

•

Small water-pumping unit, Steady-Flow, for resort cottages and farms, pumps directly from a well or spring, doesn't require a storage tank. A ¼-hp. electric motor drives a rotary pump to generate 20 lb. to 40 lb. pressure. Steady-Flow is small enough to fit under a regular sink. Hypro Engineering Co., Minneapolis, is the manufacturer.

•

Carburetor cleaning—a job that usually means taking the carburetor apart—is easier with Gumouter and its cleaning fluid, Gumout. The device hooks onto the fuel intake of the carburetor; a slow run of the engine circulates the cleaning fluid. The maker: Pennsylvania Refining Co., Cleveland 4.

•

Disc-type files of Kennametal do fast, cheap work in filing nonferrous metals and plastics. The files handle castings, flashings, and surfaces; they last longer than abrasive wheels, the manufacturer, Kennametal, Inc., Latrobe, Pa., says.

•

Plug-in circuit breaker makes it possible to add or change electrical circuits as you need them. The unit is made in capacities of 15 amp. to 50 amp. for 120-v. or 240-v. service. Manufacturer: Square D Co., 6060 Rivard St., Detroit 11.

•

Diesel starter fluid, produced by Sinclair Refining Co., does away with the need for engine heaters and electric boosters for cold-weather starts. The fluid comes in cans or gelatin-capsule form; it is injected into the engine as a primer.

•

Canned foods cook automatically in the Bott Retort Loader. The machine picks up the packed cans, cooks them, cools them, then unloads them; operating speed is 300 cans per min. Berlin Chapman Co., Berlin, Wis., is the manufacturer.

READERS REPORT:

Reader Service

Sirs:

If the Business Week Index goes down to 150 by Christmas I lose $100.00. Don't let that happen.

J. L. HAWKINS

WILLIAMSTOWN, MASS.

• 1949 low for the index: 158.1. You're welcome.

More Data for Marketing Men

Sirs:

Didn't I read in Business Week (BW—Feb.5'49,p62) that the recent U.S. Dept. of Commerce publication of county-by-county employment statistics, taken from Old Age and Survivors Insurance records for the first quarter of 1947, probably would not be brought up to date?

It should be of interest to market and sales analysts to explore a relatively new source, for similar but more recent data: the state employment security agencies. Ohio, for example, has prepared 1948 summary tabulations for each of its 88 counties, showing geographically by industry the employment and payroll of some 72,000 employers subject to the Ohio Unemployment Compensation Law.

Similar data are available in other state employment security agencies. Although there are differences in the coverage provisions of state laws, practically all manufacturing is included. The industrial classification system used by each state is identical with that in the Dept. of Commerce publication.

WILLIAM PAPIER

DIRECTOR OF RESEARCH & STATISTICS,
BUREAU OF UNEMPLOYMENT COMPENSATION,
COLUMBUS, OHIO.

• Commerce Dept.'s Business Service Check List for Dec. 23, 1949, announces a new release of the county-by-county employment statistics: "County Business Patterns—Business Establishments, Employment and Taxable Pay Rolls." Reader Papier's suggestion offers an interesting auxiliary source of data for marketing men.

Dried Eggs for Deutschland

Sirs:

The export and import corporation of which I am president received a letter from a German concern which reads (in translation) about as follows:

"We are sorry to have to inform you that there is no possibility to import the cheap American dried eggs which you offered us. We have to buy these in neighboring countries at higher prices but with soft currencies. This is very often the reason that business which seems very promising cannot be put through."

Of course, I understand the underlying reason for this, since the Marshall Plan wants to get business going among European nations. But to the plain business man there seems to be no logic in the procedure. Higher pay for imports means an increasing cost of life and production in a country now dependent upon U.S. money. The American taxpayer has to carry this additional load. Also, higher production costs mean less ability to export. Since the U.S. government is trying to increase German exports to enable that country to support itself when the Marshall Plan ceases, high production costs simply postpone reaching that goal.

PAUL W. SIEBS

NEW YORK CITY

• Certainly one reason why Germany can't buy our dried eggs is ECA's desire to stimulate inter-European business. There is a second and more important one, though: Germany's dollar shortage. Generally speaking, you can say there's no possibility of the Germans buying such items in the U.S. unless we provide them with more Marshall Plan aid. It all boils down to this: What dollar products are most important to the Germans, with their limited supply of dollars?

The Late Prof. Schumpeter

Sirs:

It is surely fitting that in this week of his death Business Week should have designated Joseph A. Schumpeter, in a caption under his picture, as "dean of American economists". . . .

WILTON JENKINS

NEW YORK CITY

• Some readers may disagree, preferring to nominate some other individual. But, assuredly, no one will dissent from this statement: When Schumpeter died this week, the world lost one of its most protean intelligences. He brought to the study of economic phenomena a profound mind, a vast culture, a deep humanism. His monumental work on the business cycle is a landmark in theoretical economics, and his volume "Capitalism, Socialism and Democracy" is perhaps the most cogent attack on Marxian fallacies produced in our generation.

To YOU Mr. Sales Manager

When an industrial concern is seeking a new plant site for production or distributing purposes, it's natural for the Sales Manager to ask, "How about available consumer markets and distribution facilities?"

In the eleven states served by Union Pacific . . . from the west coast east to the Missouri River . . . there is a constantly growing consumer market close at hand.

The matter of rail transportation presents no problem. There are many available plant sites on or near Union Pacific trackage.

For new markets, excellent transportation, available raw materials, low-cost utilities, high-grade labor, the "Union Pacific West" merits serious consideration.

• • • •

To obtain complete, confidential information on available plant sites, write Industrial Department, Union Pacific Railroad, Omaha 2, Nebr.

UNION PACIFIC RAILROAD

BE SPECIFIC: *Ship* UNION PACIFIC

FINANCE

A 20-Year Look at U.S. Railroad Figures

	Gross Revenues (In Millions)				Net Earnings (In Millions)			
	1929	1941-45 Average	1948	(Est.) 1949	1929	1941-45 Average	1948	(Est.) 1949
Atch., Topeka & Santa Fe.	$267	$422	$527	$485	$61.0	$49.1	$62.8	$52.0
Arlantic Coast Line	72	126	136	122	11.9	14.6	7.7	7.5
Baltimore & Ohio	245	328	400	350	28.8	26.7	22.2	7.0
Chesapeake & Ohio†	151	192	335	275	36.5	30.6	29.8	13.5
Chic., Burl. & Quincy	162	197	241	219	30.0	23.9	28.1	16.0
Chic., Rock Island & Pac.	148	159	197	185	*14.0	20.7	18.0	17.0
Delaware & Hudson	41	44	60	50	7.8	4.0	5.1	2.1
Erie	129	139	175	150	*11.7	9.4	12.1	3.0
Great Northern	126	180	216	210	25.7	26.2	27.6	20.0
Illinois Central	181	220	268	253	13.5	17.9	20.9	16.7
Kansas City Southern	22	35	42	40	3.4	3.4	8.7	7.2
Louisville & Nashville	132	182	207	176	13.7	19.2	18.5	7.5
Missouri-Kans.-Texas	56	68	83	75	9.4	4.5	6.5	5.0
New York Central	590	623	780	700	77.4	39.8	14.7	7.0
N. Y., Chic. & St. Louis	56	87	110	97	7.4	9.2	15.4	12.0
N. Y., N. H., & Hartford	142	160	171	145	*21.8	*13.5	5.1	1.6
Norfolk & Western	118	143	185	150	41.9	25.5	38.9	22.0
Northern Pacific	97	132	157	151	21.8	14.9	12.3	7.7
Pennsylvania	683	876	999	843	101.4	70.2	34.4	19.0
Reading Co	97	104	129	109	15.5	10.9	10.4	5.8
Southern Pacific	311	517	587	538	47.4	38.6	38.8	31.0
Southern Ry	143	220	245	212	18.1	23.0	19.2	12.0
Texas & Pacific	46	62	78	63	6.1	5.9	7.0	4.9
Union Pacific	217	410	438	400	49.3	42.1	67.3	46.0

†*Acquired Hocking Valley Ry. in 1930, Pere Marquette system in 1947.* **Reorganized recently.* *Earnings these years on basis of old capitalization.*

How Bright Do Rails Look?

Pretty good, says Wall Street, betting they will do well this year. But 1949 drops in carloadings, revenue, and profits aren't too promising.

The railroads of this country had a bad year in 1949.

Although all of last year's returns are not yet in, here's what happened to the Class I group of carriers:

Carloadings plunged almost 16% below 1948 levels. Only some 35.9-million cars were loaded, the lowest in a decade.

Gross revenues, despite last year's higher freight and passenger tariffs, fell about 11% to around $8.6-billion. Except for 1946, when the industry was moving from a war to peacetime economy, that's the lowest gross revenue level since 1942.

Net earnings probably didn't exceed $400-million. That is a plunge of 40% below 1948 levels.

Since 1940, only 1946 has been lower.

While the drops were sharpest for those roads operating east of the Mississippi, they were widely distributed among the rest as well (tabulation, above).

• Optimism for 1950—In spite of this, Wall Street is betting that 1950 will be a pretty good year (BW—Jan.7'50, p76). The word among many traders, investors, and market analysts is: Buy rails.

Main reason for this bullishness: Wall Street believes that more efficient equipment, plus experience gained from handling reduced output of coal and steel during 1949, has given many roads better control over their own operations this year than they ever had before. Theory is they will be in a better position to carry more gross revenue through to net earnings than they have been for years.

• Labor and Weather to Blame—Labor troubles in steel and coal were partly to blame for the poor 1949 showing; they cut deeply into carloadings and revenues several times during the year. So did the "recessions" many industries experienced during the year. Severe weather conditions last winter hit most of the western carriers hard.

A more fundamental handicap: the high postwar level of the industry's operating costs, and their traditional rigidity. In the past this has prevented

the roads from cutting operating expenses when traffic slipped. And last year was no exception.

Costs of fuel, materials, and supplies have been running as much as 118% above their 1939 level, according to the Assn. of American Railroads. Taxes were up 177%. And even more important, labor costs have lately taken close to 50¢ of each $1 of gross—a result of wage rate awards and a shorter work week for nonoperating employees. Back in 1941, wage payments took only 39.3% of revenue income; in 1944, it was less than 41%.

• **Seven Rate Hikes**—One way rail officials can meet higher operating costs, of course, is by increasing freight and passenger rates. But they have already tried that. Since the summer of 1946, the Interstate Commerce Commission has approved requests for seven freight-rate boosts. Several passenger-rate boosts have also been O.K.'d. If competition with other carriers had permitted full use of these grants, freight rates would have jumped about 50%.

Many roads, however, competing with trucks, buses, airlines, pipelines, water carriers and passenger cars, were reluctant to risk losses of traffic.

There's no telling how much rail traffic was lost to these other carriers in 1949. But in 1848, railroads hauled only about 64% of all available freight compared with around 73%, in 1944. Statisticians figure that the downward trend continued last year.

• **Efficiency Up**—But rate boosts aren't the only way the roads have attempted to improve their position. Since 1926, they have spent nearly $14-billion on new equipment and roadway improvements, aimed at cutting costs.

By 1948 the roads could boast (1) that the average daily run of each serviceable freight car had risen from 32.6 miles to over 47 miles; (2) that the average freight train speed had risen from less than 12 to over 16 miles an hour; (3) that net ton-miles per train-hour had jumped from 9,200 to almost 19,000; (4) that the daily mileage of freight locomotives had grown from 85 to 117; (5) that the average freight train load was 1,176 tons compared with only 772 back in 1926; and (6) that in 1948 it took 111 pounds of fuel to move 1,000 tons of freight one mile against 137 pounds 23 years ago.

Almost universal adoption of cost-cutting diesel locomotives in recent years (despite much higher initial cost) should be another profit booster. Use of such engines permits heavier freight-train loading, reduces the need for costly helper-engine service, and also reduces the industry's dependence on uncertain and increasingly costly coal from John L. Lewis's mines.

• **Threat for 1950**—As business slacked off early last year, railroad ton-miles

dropped faster than general business activity. And in the general recovery since then, loadings seem to have lagged behind.

Any rail earnings recoveries recorded in the coming months will probably be on a selective basis. Transcontinental carriers and some of the so-called granger carriers are expected to do better than most of the trunk lines east of the Mississippi. This is largely due to (1) the great increase of Pacific Coast population in the past decade and (2) wartime and postwar expansion of industry in what was once only agriculture and grazing country.

The eastern trunk lines probably won't do too well this year. They still are burdened by heavy labor costs, unprofitable suburban passenger service, and high terminal costs which are hard to cut. Besides, they will continue to get plenty of truck competition for their high-tariff, short-distance freight hauling.

FINANCE BRIEFS

Warner's theaters, which have to be cut away from the production end of the business, may be sold to Lehman Bros. The Warners, who are said to control 25% of the stock in the movie company, are dickering with the New York investment house now.

•

Stock dividends made up all but about $4.5-million of the $71-million increase in capital funds of insurance companies last year. Alfred M. Best Co. says stock life companies poured the most into capital—$37-million.

•

Utility expansion: Pacific Gas & Electric plans an issue of $37.5-million of redeemable first preferred stock to help finish its construction program. American Gas & Electric will spend $75-million. Sample of what they're after: With new equipment—a 66,000-kw. generator replacing a 25,000-kw. unit—Connecticut Power & Light uses 40% less coal per kwh.

•

Municipal bond issues set a record—by a hair—in 1949. The Bond Buyer says total issues came to $2,989,972,000, over 1948 by $240,000.

•

Philadelphia's income tax (BW—Dec. 17'49,p76) has the Pennsylvania R.R. making plans to move offices of various subsidiaries out of the city to Ardmore.

•

Pacific Tel. & Tel. will sell 814,694 shares of new common to finance expansion. Stockholders will be offered new stock at par ($100) on basis of one share of new for each six shares of old common on preferred.

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ON LAMP COSTS

SAVE THIS –	ONE LAMP NOW LASTS AS LONG AS 3.
LAMP COSTS	
TIME SPENT REPLACING BURNED-OUT LAMPS	
SAVE THIS –	LAMPS NEED BE REPLACED ONLY ⅓ AS OFTEN.

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FLUORESCENT LAMPS NOW LAST 3 TIMES AS LONG

YET COST NO MORE!

Three times the life, or ⅓ the cost! How ever you look at it, the new Westinghouse Fluorescent Lamps present a story of increased efficiency! You can trim expenses two ways: (1) by having to buy lamps less often, and (2) by having to change lamps less often.

Yes, Westinghouse lamps will last 2½ years in average store installations . . . 3 years in average one-shift offices or factories. Light output, too, has been increased. So, for longer life at lower cost, specify Westinghouse lamps.

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LEADING THE FIELD

Since the war, Westinghouse has scored 35 firsts in producing new and improved light sources

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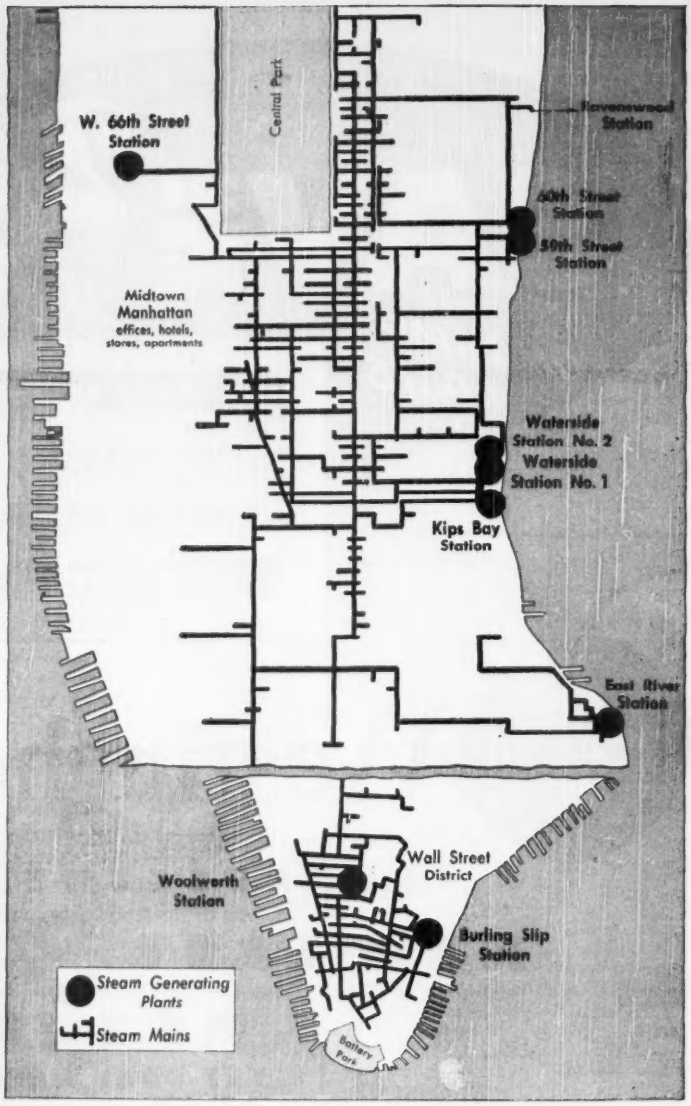

NETWORK of mains brings steam to Manhattan's millions.

The Heat's On in New York

Cold weather, and plenty of wind. That's what the New York Steam Co. likes. And that's one good reason why N. Y. Steam's earnings have not been good in recent years. This week, company executives had another uncomfortable fact to swallow. The New York area had just completed its warmest year since at least 1870.

The company, controlled since 1930 by Consolidated Edison Co. of New York, Inc., supplies steam for power and heating to over 2,500 Manhattan buildings. Although many large cities in the U. S. and Europe are served by steam companies, N. Y. Steam is the largest in the world.

It has been supplying Manhattan offices, apartment houses, and factories since 1882. It now serves such well-known buildings as Rockefeller Center, the Empire State and Chrysler buildings, the Grand Central group and Pennsylvania station. The company

in '49 business was good in Canada!

RETAIL SALES IN CANADA for the first 8 months of 1949 were 7% above those for the same period in 1948. Even after allowance is made for higher prices, it is expected that personal consumption in 1949 will be at an all-time high.

INVESTMENT ACTIVITY IN CANADA is at a record level. Estimated 1949 outlay for construction, new machinery and equipment in terms of physical volume will exceed the exceptional achievement in 1948 by about 5%.

IN SPITE OF DOLLAR SHORTAGES overseas and the downward adjustment in the American economy, merchandise exports in 1949 have been only slightly below the 1948 level, and, after adjustment for price changes are about 70% above pre-war.

TOTAL LABOR INCOME for the first 8 months of 1949 exceeds that of the same period in 1948 by from 9 to 10%. This exceeds the increase in living costs and reflects improving real wage standards, which in turn, support the consumer market.

RECENT DEVELOPMENT of new oil and gas fields, expansion of Canada's vast hydro-electric potential, and the discovery of new iron and other resources, guarantee increased fuel and power and material to meet industrial expansion.

CANADA'S COST OF LIVING INDEX has been consistently lower than that of the United States since 1943. As at September, 1949, the Canadian index was 4.5 points below the American index (1936-39 average—100 in both cases).

... and here's how The Bank of Nova Scotia fits into this picture:

The Bank of Nova Scotia transacts a complete banking service through more than 350 branches across Canada and abroad. These facilities provide American businessmen with a nation-wide banking connection and a sound source of information on business development in Canada. The Bank's Monthly Review pays thorough analytical attention to vital phases of the economy. Ask us to put your name on the mailing list.

Condensed General Statement
as at 31st October, 1949

THE BANK OF NOVA SCOTIA

Established 1832

ASSETS

Cash, clearings and due from banks	$146,323,614.36
Government and other public securities not exceeding market value	264,179,655.72
Other bonds and stocks, not exceeding market value	24,950,731.03
Call loans (secured)	38,234,652.46
Other loans and discounts (after full provisions for bad and doubtful debts)	302,166,945.47
Liabilities of customers under acceptances and letters of credit (as per contra)	15,560,120.91
Bank premises	8,557,535.51
Shares of and loans to controlled companies	5,483,309.04
Other assets	852,136.84
	$806,308,701.34

LIABILITIES

Notes in circulation	$ 1,224,016.91
Deposits	749,190,264.43
Acceptances and letters of credit outstanding	15,560,120.91
Other liabilities	773,605.56
Capital	12,000,000.00
Reserve fund	24,000,000.00
Dividends declared and unpaid	363,668.54
Provision for extra distribution	360,000.00
Balance of profits, as per Profit and Loss Account	2,837,024.99
	$806,308,701.34

THE BANK OF NOVA SCOTIA

General Office
TORONTO, CANADA

OVER 350 BRANCHES IN CANADA AND ABROAD

New York Office
49 WALL STREET

AMD-3

operates under a perpetual and unrestricted franchise which gives it the right to lay mains and pipes any time in any Manhattan street.

At peak loads, it sends out steam at the rate of 9.2-million lb. an hour. (Peak load comes between 9 and 10 on mornings when the temperature was zero at 6 a.m. This happens only about once a winter in New York.) Its mains serve the parts of Manhattan where big buildings are most heavily concentrated (map). It provides steam to 75% of the space contained in the big buildings along its lines.

• **Heat Headache**—But that hasn't kept N. Y. Steam out of hot water. It has the postwar headache suffered by all public utilities: Rates have been slow in catching up with costs. On top of that, it has had warm winters to contend with. For 17 of the past 20 years, the average Manhattan temperature for the heating season has been above normal. ("Normal" Manhattan temperature, 43.2F, is the average from 1870 to date for the periods January-through-May and October-through-December.) The average temperature for the 1949 heating season was about 48.2F, the warmest New Yorkers have seen in at least 80 years.

The company figures that on its present load basis, it loses $3,000 for every degree-hour that the temperature is above normal. That mounted into daily losses of $60,000 or more on some of New York's recent warm days.

Other uncontrollable factors also affect steam sales. More steam may be used for heating on a windy day when the temperature is 30F than on a still day when the mercury is down to 20F. The amount of sunshine also makes a difference. Unfortunately, N. Y. Steam keeps no figures to show whether Manhattan is getting more or less windy, or whether sunshine there is gradually approaching the conditions of Miami.

• **Profit Picture**—The company's earnings record hasn't been rosy in recent years. During the years 1935 through 1947, average annual earnings were $208,000, while average annual gross revenue was about $12½-million. That's an average profit margin of 1.7%.

Even so, the parent company, Con Ed (which since 1937 has owned 99.8% of N. Y. Steam's common and preferred stock) probably doesn't regret the purchase. About half the steam which the subsidiary currently uses is a by-product from Con Ed's electric generating plants, so Con Ed is able to spread out its peak load, cut operating costs.

In the early depression years N. Y. Steam did pretty well. Net income rose from $1.3-million in 1929 to $2-million in 1931. Gross revenue kept on climbing until 1934, partly because 1934 was an unusually cold year.

Reason for the climb in profits is

this: In a deflation, rates don't go down so fast as costs do. So public utilities get the benefit. Nearly 21% of N. Y. Steam's 1931 revenue was carried down to net income. After that, the profit margin dropped fast.

But in an inflation, sticky rates work just the other way. Costs increase too fast. That's what happened when N. Y. Steam's operating ratio (operating expenses to operating revenue) rose from 57.5% in 1942 to 63% the next year, and higher in later years.

• **Taxes Up, Too**—Before the rise in operating ratio operating taxes jumped sharply. Property taxes and franchise tax are taken out of operations rather than profits. In 1932, operating taxes were 8% of gross revenue. By 1938, they had climbed to 16.3%, then began to decline about the time operating costs started to mount. By 1948, when costs were still rising, taxes had dropped to 9.5%.

In November, 1947, the company got its first rate boost since 1929. That increased revenue about $1-million annually, on a temporary basis. Largely as a result of this, the company was able to report net income of more than $1-million in 1948, for the first time since 1934. At the end of the year net assets were about $66-million, of which $57-million was in plant. Bonded debt (guaranteed by Con Ed) was $28-million. Capital stock and surplus came to around $22.8-million.

• **Trouble Again**—But N. Y. Steam ran into trouble again in 1949. It reported a net loss of $440,000 for the first nine months, compared with a profit of $880,000 for the same 1948 period. Gross revenue was off 11%, mainly because of warm weather. The operating ratio climbed from 63% to 68%, as wages and fuel costs rose. Maintenance costs were up; so was depreciation, because of construction of new generating stations.

That's why the permanent rate boost which N. Y. Steam got last September was very welcome to the company and its parent, Consolidated Edison. As a permanent factor, on the basis of 1948 revenue, the postwar rate boost will bring in $1.4-million. So, in spite of warm weather, the company should turn in a better report for the year as a whole than it did for the first nine months.

• **Space Saver**—N. Y. Steam, after all, has a good product to sell, one that is likely to remain attractive in the future. Where building and land costs are high, basement space can often be more profitably used for garages, restaurants, or shops—instead of for a separate heating and power plant. Since there is no smoke, there are no stacks and flues. That makes more rental space available on each floor.

Most of the company's steam sales

are to commercial (40.7% last year) and residential (24.6%) users. Railroads used 13.3% of its steam in 1949, industry 11.9%. Government buildings took 6.4%.

• **Summer Service**—The trend toward skyscraper air conditioning (BW—Jul.23 '49,p26) should help N. Y. Steam's revenues, if New York's water shortage doesn't interfere. Large air-conditioning units use steam turbines, and the company has signed up most of the new buildings along its lines.

Last year the company supplied steam for about 10,000 tons of refrigeration, expects to double its air-conditioning load in the summer of 1950. That would increase its summer steam output from about 1.4-million lb. an hour to 1.6-million. Last summer, the company's output was about 20% of the winter rate.

Since steam-powered air-conditioning units can be put into existing buildings, N. Y. Steam has a huge potential market. The company could sell around 3½-million lb. of steam an hour for air conditioning alone, if it serviced just one third of the building space it now supplies with heat and other services. That would bring summer sales up to 50% of winter output.

• **Fuel Costs**—The company's steam comes from generating stations spotted through the lower half of Manhattan (map, page 80). Some are its own, others are owned by Con Ed. Major fuel used is coal, although new stations built since the war are equipped to burn oil. Since steam rates are tied (with some time lag) to coal prices, the company has been spared most of the headaches of advancing coal prices.

N. Y. Steam says it probably won't be getting low-cost natural gas very soon, even though Con Ed will be getting it from Transcontinental Gas Pipe Line Corp. early in 1951 (BW—May28'49,p25). Connecting pipelines would have to be built down from 132nd St. to midtown, probably to Con Ed's Waterside station at 40th St.

SHORT-TERM RATES UP

Despite the general easing of money rates, the average rate of short-term loans of New York City banks has been moving slightly upwards. That's the report of the New York Federal Reserve Bank this week.

During the first half of last month, borrowers of-less-than-12-month loans paid Manhattan banks an average rate of 2.3%. That compares with 2.26% during the first half of Sept., 1949.

On loans due more than a year hence, however, the average rate has shown some softening. Borrowers here were charged an average of 2.43% last month, compared with a 2.7% average in early September.

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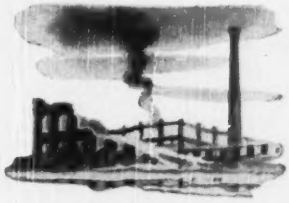

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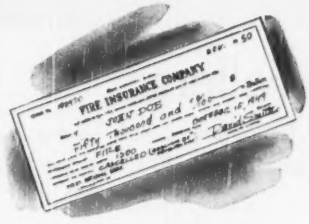
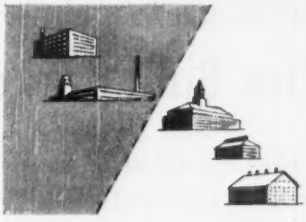


INSURANCE INDEMNITY seldom covers reconstruction costs today. No indemnity check can compensate for the loss of customers, time, profits and skilled personnel.



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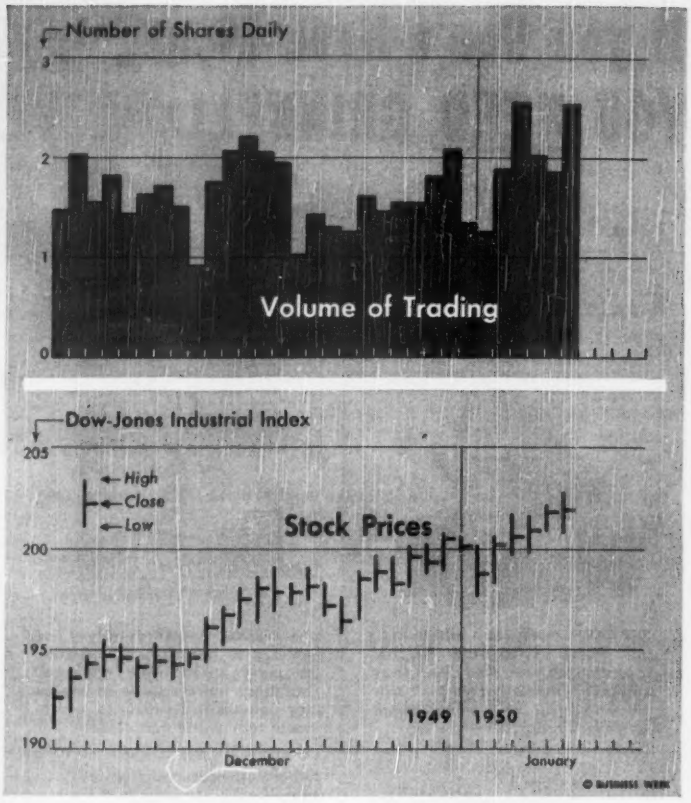
FIRE PROTECTION SYSTEMS

THE MARKETS



The Bull Market Falters

It looks about time for a temporary break in the bull market. There's lots of stock for sale above 200, and the bulls are having trouble soaking it up.

Wall Street's new bull market in stocks will bear some close watching for the next couple of weeks. The resistance that the Dow-Jones industrials have met just above the 200 mark is more than just the ordinary difference of opinion between buyers and sellers. It is rapidly shaping up into a major test of the bull market's strength.

• **Watch Volume**—Volume of trading rather than the averages themselves may give you the first hint as to how things will turn out. Volume is almost always significant when you are trying to size up market movements. And it is particularly important when the averages seem to be nearing a turning point.

According to the classic interpretation, it's a bullish sign if turnover increases on the rallies and falls off on the declines.

On this basis, the market's record all through December was a model of what a proper bull market should be. If you ignore the half-day sessions on

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	166.5	163.1	163.3	153.4
Railroad	44.3	42.5	40.9	43.4
Utility	84.0	82.4	81.8	68.4
Bonds				
Industrial	101.5	101.5	100.5	95.3
Railroad	86.7	85.4	82.0	85.7
Utility	100.6	100.6	99.9	93.6

Data: Standard & Poor's Corp.

Saturday, you find volume jumping up briskly with each advance and falling back with each hesitation.

• **Hesitant Prices**—But when you get into January, you see a slightly different picture. Volume since the first of the year has been running higher than ever—around 2-million shares a day on the average, rising to 2.5-million at the peaks. But the price averages have been making the slowest kind of progress. By the middle of this week, the industrials had gained less than three points since the opening session of 1950.

Now, there is a footnote to the classic interpretation of volume that many people don't know about. According to this amendment, the peak of an upward movement is usually marked by a "climax" in turnover. Volume rises while the averages stand still. This is the signal that a secondary downward move is about to begin.

• **Bulls in Trouble**—The way the market has been behaving for the past ten days fits pretty neatly into this pattern. The bulls obviously ran into trouble when the industrials crossed the 200 mark. There's stock for sale in truckload lots in that area. So far, the bulls have taken it without giving ground. With luck they may be able to get through the test with nothing worse than a period of hesitation. But the odds are at least even that they will have to back down a little and make another try at some time in the future.

• **Lambs Arrive**—Another thing is making old timers in the Street a little uneasy these days: The general public is coming in on the bull side.

Smart traders go on the theory that the majority of the public is never right. Many cagey operators watch odd-lot trading to see what the public is doing—and then do the opposite themselves.

Up to a week or so ago, odd-lot selling generally exceeded odd-lot buying. To the professionals that looked fine. But now odd-lot buying is running ahead of selling. That's not so good. It begins to look, as Leonard Ayres said in 1929, as though stocks are once again passing from the "smart to the dumb."

State of the Bond Market: Current Sampling

Moody Rating		(All Prices Are % of Par) 1946 High	1946–49 Low	Current Price	Current Price Compared with 1946 High	1946–49 Low
BA	American Airlines 3s, 1966	102.00	75.00	95.50	− 6.4%	+27.3%
AA	Amer. Tel. & Tel. 2⅝s, 1986	100.37	85.00	96.87	− 3.5	+14.0
AAA	Atch., Top. & Santa Fe 4s, 1995	141.00	115.25	131.25	− 6.9	+13.9
BA	Baltimore & Ohio 4s, 1979	107.50	79.00	91.37	−15.0	+15.7
A	Bethlehem Steel 3s, 1979	104.25	101.00	105.00	+ 0.7	+ 4.0
AAA	Boston Edison 2¾s, 1970	108.75	98.12	104.50	− 3.9	+ 6.5
A	Chi., Burl. & Quincy 2⅞s, 1970	103.37	90.25	100.75	− 2.5	+11.6
AAA	Cincinnati G. & E. 2¾s, 1975	107.87	96.75	103.25	− 4.3	+ 6.7
BAA	Crucible Steel 3¼s, 1966	101.87	88.50	*93.00	− 8.7	+ 5.1
A	Dow Chemical 2.35s, 1961	101.12	94.50	100.50	− 0.6	+ 6.3
B	Erie R. R. income 4½s, 2015	103.25	57.00	70.00	−32.2	+22.8
A	B. F. Goodrich 2¾s, 1965	105.87	97.50	102.62	− 3.1	+ 5.3
A	Great Northern 2¾s, 1982	100.62	82.50	95.00	− 5.6	+15.2
B	Gulf, Mob. & O. income 5s, 2015	104.25	60.00	75.00	−28.1	+25.0
BAA	Lehigh Coal & Nav. 3½s, 1970	108.00	90.00	94.00	−13.0	+ 4.4
AA	May Dept. Stores 2⅝s, 1972	100.25	94.50	100.62	+ 0.4	+ 6.5
B	New York Central 4½s, 2013	98.25	52.00	64.87	−34.0	+24.8
AAA	Norfolk & Western 4s, 1996	143.00	126.50	133.50	− 6.7	+ 5.5
BA	Northern Pacific 4½s, 2047	110.00	72.50	89.00	−19.1	+22.8
AA	Pacific Gas & Elec. 3s, 1971	110.50	98.50	*105.25	− 4.8	+ 6.9
BAA	Pennsylvania R. R. 4¼s, 1984	135.50	83.50	94.75	−30.1	+13.5
AA	Shell Union Oil 2½s, 1971	101.50	91.00	99.50	− 2.0	+ 9.3
BAA	Southern Pacific 2⅞s, 1988	102.25	80.00	94.50	− 7.6	+18.1
AAA	Standard Oil (N. J.) 2⅝s, 1971	99.75	91.50	97.87	− 1.9	+ 7.0
A	Swift & Co. 2½s, 1972	103.75	95.25	101.87	− 1.8	+ 7.0
AAA	Union Pacific 2½s, 1991	99.52	84.12	97.00	− 2.6	+15.3
BAA	U. S. Rubber 2½s, 1976	101.50	90.00	97.25	− 4.2	+ 8.1
BAA	Universal Pictures 3⅜s, 1959	104.25	75.00	90.00	−13.7	+20.0
AA	Virginian Ry. 3s, 1995	113.00	92.12	100.62	−11.0	+ 9.2
BA	Walworth Co. 3¼s, 1976	107.25	85.00	*88.62	−17.4	+ 4.3
AA	Westinghouse Elec. 2⅝s, 1971	103.00	96.37	102.62	− 0.4	+ 6.5
BAA	Wheeling Steel 3¼s, 1970	108.00	93.50	102.25	− 5.3	+ 9.4
	Dow Jones Bond Averages:					
	Higher-grade Rails	119.72	100.55	107.86	− 9.9	+ 7.3
	Second-grade Rails	103.04	81.98	92.09	−10.6	+12.3
	Utilities	110.30	100.87	106.19	− 3.7	+ 5.3
	Industrials	106.58	99.34	103.08	− 3.3	+ 3.8

*Bid price.

LABOR

CHRYSLER WORKERS keep working at Dodge and other plants, but their union is . . .

Framing Next Pension Move

UAW is pressing Chrysler—and GM too—for a pension plan freezing company contributions, even if federal social security rises. It may change business attitude toward federal action.

Negotiations between the United Auto Workers (CIO) and the Chrysler and General Motors Corporations may change the course of the boiling pension movement in the U. S.

Up to now, the successes labor has won in its headlong drive for retirement pay have been built on benefits already provided by the federal social security system. The Ford and steel-industry contracts, for example, provide that employees meeting age and service requirements will get $100 per month—with the company contributing only enough to bring federal benefits up to that amount.

• **Change in Position**—One direct result of this pattern has been to give employers an immediate economic interest in seeing federal old-age benefits raised—a reversal of their traditional position. Increased benefits and expanded coverage under the Social Security Act is a standard labor demand; though it has been brought up time and again in Congress, it has never got through. And united business opposition is a big reason.

This year, however, it seemed certain that the changes would get employer support—because of the pension trend—when hearings before the Senate Finance Committee start next week, and that this support would be enough to ensure amendment of the law. (The amendments have already passed the House of Representatives.)

• **No Longer Sure**—It doesn't seem so certain any more. Reason: Chrysler and General Motors are meeting an insistent UAW demand that employers' pension obligations be definitely fixed—beyond alteration by anything that may be done in Washington.

• In Chrysler, UAW is pushing for a $68-a-month "floor" under the company's pension payments.

• In General Motors, UAW is talking about a higher figure, but the "floor" principle is considered a "must."

• **Management Reaction**—So far, what is being discussed in these negotiations is known to few management men outside Detroit. But the reaction among those few is significantly uniform: If companies' contracts provide for pension payments unaffected by federal benefits, management will have an incentive to return to its position of opposing expansion of the federal program, with its attendant increases in tax levies and administrative costs.

Such a development would require sharp revision of the popular forecast

that federal pensions are on the eve of an expansion cycle that will continue indefinitely. In the teeth of determined and concerted business opposition, labor will find it harder to lobby more generous pension benefits through Congress.

• **UAW's Position**—In addition to their importance to national welfare policy, the current Detroit negotiations are of specific interest to labor relations men. This much already is certain:

• UAW—always intent on outdoing other unions in the pursuit of its objectives—wants a bigger pension package than that won by Philip Murray's steel union (BW—Nov.5'49,p19).

• The auto union also wants to do better than it did in its first pension agreements: with Ford Motor Co. and, later, with Kaiser-Frazer Corp.

UAW's settlement with Ford calls for $100-a-month pensions for employees retiring at age 65 after 30 years on the job (BW—Oct.8'49,p88). The monthly pension would include federal social security benefits.

• **Question of Age**—Ford employees have a high average age for the auto industry. Hence, Ford was stuck with a huge funding problem. UAW later explained that it took this into consideration when it bargained with Ford; it said it would insist on better deals from companies that didn't share Ford's age problem.

Kaiser-Frazer's employees are comparatively young (an estimated 75% are 35 years or under), so UAW went out after a bigger pension package from K-F. It got an agreement calling for a 6¢ hourly contribution by K-F—enough, both company and union believe, for pensions of more than $100 a month including social security. (Actual payment details haven't yet been worked out in full.)

• **Chrysler Demands**—UAW's demands on Chrysler go even further. The union wants Chrysler to add to present social-insurance payments: (1) 7¢ an hour per employee for pensions ($100-a-month minimum, payable at age 65 after 25 years on the job); and (2) 4½¢ an hour per employee for paid insurance. Chrysler would start from scratch on pensions, but it has been making small monthly contributions toward a voluntary group health insurance plan for employees.

The crucial provision that UAW wants Chrysler to agree to would work this way: The company would put a $68-a-month "floor" under its own contribution to pensions, regardless of any possible boost in federal payments. If federal payments do rise, this would ensure a commensurate rise in total pension payments above $100 a month.

The auto union has the same basic objectives in GM bargaining.

• **Reopening**—Chrysler's contract with UAW runs to Aug. 1, 1950. Its terms

permitted a reopening, on wages only, during 1949. So, last July, the union gave Chrysler a choice of bargaining on a whopping pay demand or considering a pension plan to be paid for entirely by Chrysler. The union argued that the reopening clause was broad enough to include "deferred wages"—a convenient term for retirement pay.

The company at first refused to talk about pension matters at all. Later, looking at the bargaining situation with a more practical eye, it agreed to go into the problems of pensions in a general way—but without committing itself to sign a retirement-pay agreement.

• **Actuarial Study**—Chrysler and UAW negotiators agreed, in general, on the area that pensions might logically cover. Then they turned the job over to actuaries, for a thorough analytical study of the cost of pensions.

This study has now been completed. When company and union bargainers resumed pension talks last week, copies of the study were before them. The company still held out, in principle, against any agreement during the lifetime of the present contract. So Chrysler workers authorized a strike deadline to be set "at the earliest possible date." Still, Detroit auto men interpreted another UAW statement announcing "some progress" to indicate an eventual pension agreement of some kind, with no real crisis.

• **Preparation for GM**—GM bargaining with UAW doesn't start until Mar. 29; that's 60 days before the 1948-1950 contract runs out. But GM and UAW didn't wait for the start of formal bargaining to get down to the pension problem. They named a joint committee to study, in advance, some of the technical problems of pensions—such as the need for funding for past service, whether employees should have a vested interest in retirement funds, and what requirements should be set for retirement with a full pension.

GM agreed to give the committee, before Feb. 15, full information on the personnel factors that weigh heavily in setting up a pension plan—age and seniority status of workers, the breakdown between men and women, etc.

• **The Same Language**—The committee can't do any negotiating, or make any recommendations on pensions. Its job is only to get the pertinent data together, for both parties, so they'll be talking in the same terms when bargaining begins.

The Pictures—Acme—101 (rt.); Int. News—101 (lt.); McGraw-Hill World News—102, 104, 107; Wide World—20, 101 (cen.); Dick Wolters—38, 42, 44, 45, 88.

Six-Hour Problem

Pension talks in Akron rubber plants snarl because six-hour work-day means pensions cost more on an hourly basis.

How can you set up a $100-a-month pension plan in an industry which operates with less than the usual eight-hour-day?

That's a problem now facing labor and management negotiators in the rubber industry. Contracts with the United Rubber Workers (CIO) provide for a six-hour day and a six-day week in the big Akron mills. These hours, peculiar to the industry, are an extra hurdle in pension bargaining.

Here's why: A man who works 36 hours a week is going to need just as big a retirement income as the fellow who works 40 hours a week in a mill down the street. But it's going to cost his employer considerably more money—on an hourly basis—to give it to him, because of the shorter week.

• **The Arithmetic**—Steel and other pension plans signed so far are based on an assumption of 2,000 hours of work a year, which means 50 weeks of 40 working hours each. Pension costs are worked out on that basis.

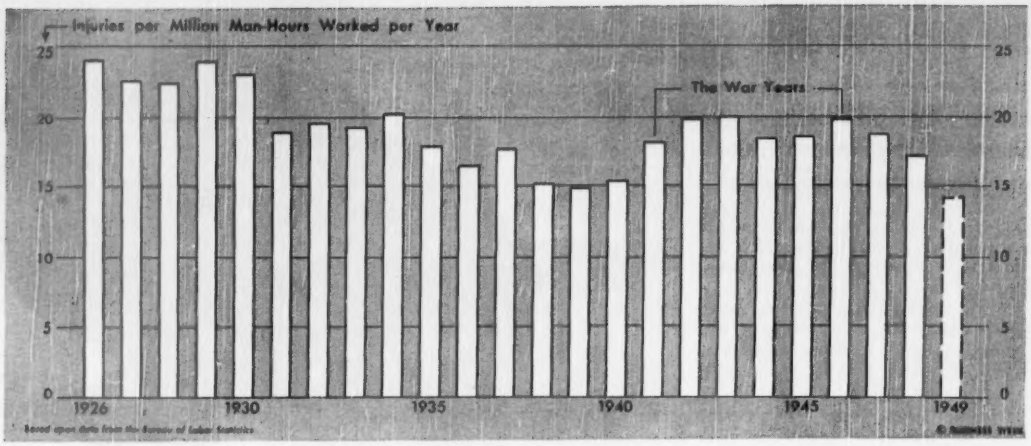
With Akron's 36-hour week, however—assuming 50 weeks of work during the year—you get only 1,800 hours. And in normal times, very few rubber workers put in even that many hours. The average is closer to 1,500 hours a year.

• **Pro and Con**—Obviously, then, an agreement by a rubber company to put—say—10¢ an hour into a pension fund won't provide as much retirement pay as the same amount paid out in steel or auto plants. So URW is now insisting that employers should ante up proportionately higher amounts to make up for the shorter work week.

Rubber-company negotiators aren't buying that argument. They complain that production costs are already way out of line in the industry because of the six-hour day. A proportionately higher charge for pensions would, they say, increase already burdensome costs.

• **Basic Problem**—The resulting bargaining deadlock is causing considerable concern in Akron. But the underlying problem—the six-hour day—is causing even more.

Many feel that the current negotiations may revive the industry's old controversy over the length of the working day. The companies have wanted, for a long time, to do away once and for all with the six-hour day—depression-born in Akron, and the keystone of URW policy there.



Accidents: on the Downgrade Again

Injury rates in manufacturing dropped to a new low last year. There were only about 14.1 disabling injuries for every million man-hours worked. For 1948, the rate was 17.2; the year before that it was 18.8.

The 1949 figure shades the previous low (14.9) set in 1939—until 1949, the safest year in American industry since first industrial injury records were kept in 1926.

• **Safest Season**—Last year chalked up another safety record: The fourth quarter was by far the safest three-month period American manufacturing has ever known—with only 12.8 disabling injuries per million man-hours worked.

The year's work-injury figures followed the same seasonal pattern observed in each of the seven years for which the Bureau of Labor Statistics has compiled monthly data. Rates went up (chart, right) during the hot months of May, June, July, and August; then, with September's cooler weather, they turned down again.

In small part, the reason seems to be that hazardous jobs increase somewhat during the summer. But industrial safety men say this isn't the whole reason. They blame hot-weather listlessness and slacking off of safety precautions.

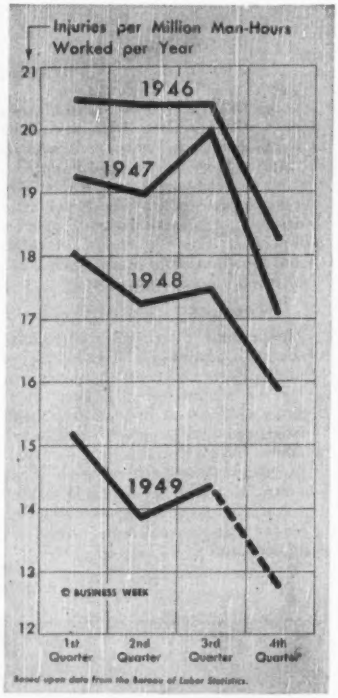
• **Why Down?**—Two factors generally get the credit for the steady downtrend of work injuries:

(1) Labor and management are cooperating more for plant safety.

(2) The President's Conference on Industrial Safety (BW—Sep.25'48,p102) has put in some good work since the fall of 1948.

Actually, the pronounced downturn began in the early 1930's. The rate went up under the abnormal conditions of the war; then it started down again three years ago.

• **Compensation Payments**—At the same time workmen's compensation payments (for work-caused disabilities) have been climbing. The Federal Security Agency estimates they totaled $550-million during "safest" 1949—as compared with $510-million in 1948 and $485-million in the previous year. In 1939, workmen's compensation payments reported by states totaled only $235-million.



BUT WATCH for "danger" seasons.

The steady rise in payments reflects expanded coverage and increased compensation benefits rather than any increase in work injuries.

All states now have workmen's compensation laws. An estimated 50% to 60% of all workers (between 30-million and 36-million) are now protected against worker-caused injuries—and, in some instances, against occupational diseases as well. Current coverage shows a marked increase over that of five to ten years ago. Moreover, the trend is toward broadened protection and even more liberal benefits.

It all means more money paid out, even though injuries show a reduction.

• **Insurance Rates**—Despite the higher annual payments, there is a pronounced downward trend in workmen's compensation insurance rates. Missouri's State Insurance Dept., for instance, recently announced an average rate reduction of 9.6% for 1950—the third straight year for such a reduction in the state.

The same sort of downtrend in workmen's compensation rates shows up in insurance records of most states over the last ten years.

The steady reduction in workmen's compensation insurance costs is due to a number of factors. The decline in the injury-frequency rate in industry is a big one. But higher wage rates are equally important. When you increase a man's hourly rate you increase your payroll, but you do not increase the number of accidents. So the cost to employers per $100 of payroll goes down.

Labor's Plank

Its demands from Congress are about the same as last year—the Fair Deal and more. Unions publish vote records.

Congress isn't likely to put through any labor-relations legislation this session. But that doesn't mean that union lobbyists will desert Capitol Hill. Their job is still to push as much of the Fair Deal program through Congress as possible.

• **Potent Pressure**—Organized labor is now the most potent single group influencing Democratic policies. Its weight is felt on even those legislative proposals that seem remote from labor's pay envelope.

There are at least two reasons for the unions' interest in the full Fair Deal plan:

(1) The unions feel that labor's economic position—jobs, wages, living standards, etc.—depends on what happens to Truman's program.

(2) They feel that labor's political position—the prestige of AFL and CIO political arms—may be weakened if the Fair Deal suffers setbacks.

• **Realists**—Actually, the unions know there is no chance of the whole program going through. For instance, Congress isn't expected to do any serious work on Taft-Hartley repeal. Labor knows, too, that some things will be seriously considered, but won't get anywhere—things such as health insurance, fair employment practices legislation, higher unemployment benefits, and a labor education extension service.

Labor lobbyists will plug away on these—in the face of almost certain rejection—just to make sure that lawmakers don't forget that the Truman proposals are also on union "must" lists. But the lobbyists will put most of their steam behind measures that they consider likely to pass. These include proposals for liberalized social security, middle-income housing assistance, rent controls, federal aid to education, and repeal of oleo and excise taxes.

• **Outside the Plan**—Labor also wants some things that the Truman program does not include—such as a $1 minimum wage. All in all, labor has come up this year with a legislative program that is pretty much a repetition of last year's (BW—Mar.26'49,p104). There are a couple of omissions in the new list—demands for inflation controls and steel expansion have been sidetracked—but otherwise the lists read alike.

Union leaders feel that their likes and dislikes will count a lot more in this, a campaign year, than they did in 1949. Many lawmakers, they tell you, will

want to make their voting records more acceptable to labor.

• **Cause for Joy**—The unions are particularly pleased because the Democrats have put the new senator from New York, Herbert H. Lehman, on the Labor Committee. He replaces Sen. Garrett L. Withers, of Kentucky. Although Withers is listed by unions as prolabor, they prefer Lehman as a better fighter for labor causes. They expect him to carry on the traditions of former Sen. Robert F. Wagner, another New Yorker, who drafted the Wagner act, which labor wants restored in place of Taft-Hartley.

Congressional Score Card

Both AFL's Labor's League for Political Education and CIO's Political Action Committee put pressure on Congress at the start of the second session. Both published lists for union members of the voting records of legislators on issues vital to labor.

AFL checked votes cast on 10 issues in the House and 10 in the Senate; CIO's tally was based on votes on 13 issues in the House, 16 in the Senate. More than one checkup was made on some of the legislative battles; for instance, CIO had three lists on T-H voting, and AFL two. Moreover, on some issues CIO used one roll call to tabulate the vote, AFL another.

Neither did the unions agree exactly on which issues should be checked. But where they did score an action together, they agreed throughout on what constituted a right or wrong vote.

• **Test of Mettle**—Here's a rundown of how the unions' voting lists were put together:

• To score favorably on both the AFL list and the CIO list, a legislator had to vote:

Against: Recommittal of bill to liberalize social security.
Against: Curb on FPC's authority over natural gas sales.
Against: Taft-Hartley Republican "reform" bill.
For: Removal of Taft-Hartley injunctions.
For: Celler antitrust bill.
For: 75¢ minimum wage.
For: Public power.
For: Liberalization of House rules.
For: Rent controls.
For: Housing aid to farmers.
For: Low-cost housing.
For: Curbs on filibustering.
For: Atlantic Pact.

• To score favorably on other issues checked by CIO only, a legislator had to vote:

Against: Bricker amendment on low-cost housing.
Against: Cuts in Atlantic aid.
Against: Recommittal of displaced persons bill.
Against: A 5% to 10% budget cut.

Against: Taft national-emergency-injunction amendment.
Against: Poll tax.
For: Appointment of Leland Olds to FPC.
For: Reciprocal trade.
For: ECA funds and military aid.
For: Extention of cloture.
For: International trade pacts.

• To score favorably on other issues checked by AFL only, a legislator had to vote:

For: Appointment of John Carson to FTC.
For: Loans to farm telephone co-ops.

AFL scored successes in 5 out of 10 issues in the House, 6 out of 10 in the Senate. CIO's score: 9 successful issues, 4 losses in the House; 7 successes against 9 setbacks in the Senate.

• **All Stars**—The "all stars"—legislators with perfect prolabor voting records on all issues—totaled 14 senators and 111 House members on the CIO score card, 20 senators and 116 House members on the AFL tally.

Senators on both lists: Democrats McMahon, Pepper, Lucas, Humphrey, Murray, Graham, Myers, Green, Thomas (Utah), Magnuson, Kilgore, and Neely; one Republican, Morse.

One senator on CIO's list failed to please AFL completely. AFL said Sen. Anderson voted "wrong" on the minimum wage. Although he was for the 75¢ minimum, Anderson also supported an amendment that AFL said "removed 250,000 retail store employees from protection of the wage-hour act."

Senators who made the AFL's "all star" cast but who were passed over by CIO: Democrats Downey, Douglas, Leahy, Kefauver, Hunt, and O'Mahoney; one Republican, Aiken. Five of them missed getting on the CIO list because of a single "wrong" vote. Sen. Douglas, for instance, was rebuked by CIO for voting for a budget cut.

• **100% Antilabor**—CIO listed three senators with 100% "antilabor" voting records: Bricker, Butler, and Williams. AFL also listed three as 100% "wrong," named Donnell, Kem, and Cordon.

Taft, who has solid labor opposition in his campaign for reelection in Ohio, was scored "right" by CIO on 4 roll calls—minimum wage, housing, anti-filibustering, and displaced persons bills. AFL scored Taft "right" on one vote—against the filibuster.

Sen. Taylor of Idaho, who ran for vice-president on Henry Wallace's slate in 1948, and Rep. Marcantonio, of New York, American Labor Party member who backed Wallace, got two black marks on their AFL and CIO records. The Communist-backed legislators voted against ECA funds and against the Atlantic Pact.

Labor politicians insist the voting lists aren't "black lists," "white lists," or "endorsements." Not yet, anyhow.

LABOR BRIEFS

Transit peace was assured in Wilmington, Del., last week when AFL signed new contract with Delaware Coach Co. It gives a 6¢ wage boost, $2 a month per employee for insurance. Workers struck from Nov. 16 to Dec. 3, then resumed work pending new wage talks.

•

Reprimand for a strike has been handed to the leader of the recent Cleveland transit walkout (BW–Jan.7'50,p62). The Cleveland Federation of Labor (AFL) suspended Thomas Meaney, head of transit local, as a CFL official. Charge: He O.K.'d the strike despite contract providing binding arbitration.

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An employee stock offer by Dow Chemical makes 70,000 shares of common available at $44.50 to 14,000 employees. They can buy shares valued up to 10% of annual pay, pay for them through payroll deductions.

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New revolt is brewing in United Rubber Workers (CIO) after three months of quiet. A "Committee for Honest Unionism" is now out in the open in a campaign to oust L. S. Buckmaster as president. It is made up of leaders of the group that lost control of URW in the election fight last September.

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Help with NLRB cases is provided by new guidebook by Louis Silverberg, director of information for NLRB. It is: "How to Take a Case Before the National Labor Relations Board," published by Bureau of National Affairs. Price: $5.

The Soup Kitchen Comes Back to Norfolk

Stranded seamen can get free food at the Seafarers' International Union (AFL) hall in Norfolk, Va., these days –for the first time since the dark days of the thirties. It's the result of a slump in shipping that has kept many seamen waiting weeks "on the beach."

• **Long Wait**–In one week only 11 seamen shipped out of Norfolk; the number signed up for jobs was well over 300.

The job prospect for seamen, both SIU and National Maritime Union (CIO), is about as tough in other ports. As a remedy the unions want more federal aid to the merchant marine–including wider use of American flag vessels in Marshall Plan shipping.

• **Welfare, Vacations**–SIU also is talking about another way of easing the "all-time low" in seamen's jobs. It's plugging for a welfare program, paid for by employers, to help open up some jobs as oldtimers retire. And it's considering proposals to require seamen to take "vacations"–by limiting stays on any one ship to six months, ensuring "a much greater job turnover, thus allowing more and more members to ship out." With jobs hard to get, few seamen are quitting their berths when ships make port now.

If the "vacation" plan goes through (many in the union oppose it), SIU expects to ask shipowners to approve a week's paid vacation after six months aboard ship. After that, "vacationing" seamen would go on unemployment compensation rolls.

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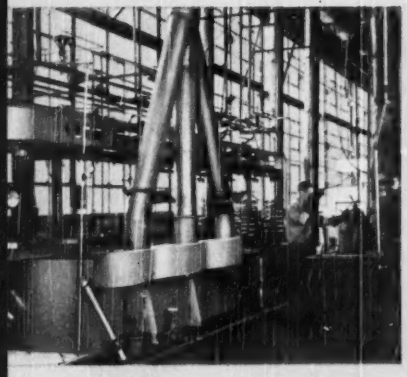

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INTERNATIONAL OUTLOOK

ECA has been giving western Europe plenty of advice lately. But western Europe will get in some licks later this month.

In its annual report, the Organization for European Economic Cooperation will warn that Europe's dollar deficit will be $3-billion in 1952—unless drastic steps are taken. And OEEC will throw this problem right into the lap of the U. S.

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Here's how the OEEC report will rate the dollar-shortage remedies Washington has cooked up in the past:

Economic integration of western Europe: This won't pay off for many years. Meanwhile, it will widen the dollar gap, for it will raise the volume of intra-European trade and the demand for non-European raw materials.

Development of nondollar food and raw material supplies: There's a limit to how fast this can be done. It's often very expensive. Then, too, it tends to duplicate production already existing in the U. S.

Boosting private U. S. investments abroad: Investments won't go up by more than $500-million a year at most. Of these investment dollars only a relatively small part end up in Europe, in any case.

Cutting U. S. tariffs: This gets the heavy stress. OEEC economists figure that the U. S. tariff holds down Europe's potential dollar earnings by $1-billion to $1.5-billion a year.

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The conclusion of the OEEC report hasn't been written yet.

But BUSINESS WEEK learns from Paris that there will be this flat-footed position: No solution for Europe's dollar problem can come in 1952 unless the U. S. (1) slashes its tariffs drastically, and (2) lends Europe at least $1-billion a year from 1952 on.

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OEEC apparently has good reason for its uneasiness about private U. S. investments abroad.

Truman's Council of Economic Advisers says that U. S. foreign investments dropped off sharply in 1949—to a total of about $400-million.

Compare that with 1948 private investments of $1-billion. Remember, too, that unofficial estimates last year put the total for the mid-fifties at $2-billion a year.

(Biggest reason for the drop in 1949 was the cutback in petroleum investment. Oil accounted for 60% of the 1948 total.)

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Meanwhile, you get these diverse developments on the foreign investment front:

In Washington: Truman is expected to ask for a boost in the lending authority of the Export-Import Bank. This would give the bank plenty of money for (1) its regular lending operations, and (2) its new job of guaranteeing private investments abroad.

In Brazil: There's talk of setting up a fund in New York to service American private investments in Brazil. Many Brazilians now feel that the only way to make their economy perk is to welcome U. S. firms with open arms.

In France: There's not much hope for big U. S. investments in France's African colonies. For one thing, French experts don't think American investors are ready to take the necessary risks. And anyhow, despite the reported tie-in between some New York and Paris banks, the French

prefer to keep colonial development in their own hands as much as they can.

•

Chancellor Cripps was playing local politics this week when he talked of new dollar-sterling sessions in Washington.

There are no plans afoot for such a meeting. What's more, there's no chance of a U. S.-British-Canadian get-together before the Feb. 23 election in Britain.

Cripps was just reminding British voters that he enjoys the friendliest sort of relations with the U. S. and Canada.

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In the past few days, though, Cripps has had some solid news to pass on to the British people.

The fourth-quarter gain in London's gold reserves was $263-million. That was $100-million more than Cripps had been expecting (BW-Nov.19 '49,p123).

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What happened after devaluation was this: The sterling area's dollar deficit began to shrink. It was only $31-million during the fourth quarter. The average in the prior two quarters had been $585-million.

Meanwhile, London got $247-million from ECA, plus $27-million from a Canadian loan. And Australia borrowed $20-million from the International Monetary Fund. Thus, London could cover the $31-million deficit and still add $263-million to reserves.

But London can't count on keeping its deficit as small as the last one. Some of the benefit from devaluation has worn off already. For example, purchases postponed until after devaluation have now been made. So, too, delayed payments on goods bought before devaluation.

•

Labor will need to play every card it has to win the coming election.

True, betting turned slightly in Labor's favor this week. The odds are now six to four on an Attlee victory. Two weeks ago it was even money.

But some of London's shrewdest election dopesters think the Conservatives still have the edge.

As they see it, all Churchill has to do is feed the middle-class revolt against Labor. And all that takes is (1) no political blunders, and (2) hammering home the Conservative promise to run a "competent government."

•

Is Molotov regaining his hold on Soviet foreign policy?

Some European diplomats believe this is the case. They see evidence of two policy lines in Moscow—one Malenkov's and one Molotov's.

Meantime, Stalin is on vacation and willing to see Malenkov and Molotov fight things out.

•

According to this theory, Molotov wants to adopt more flexible tactics, not simply oppose the anti-Communist world on every front.

Here are some of the things that Molotov apparently would do:

(1) Try to split Britain from the U. S. Have the British Communist party back Labor in the coming election. Also boost Anglo-Russian trade.

(2) Compromise a bit in the Far East. Moscow would be more friendly to Prime Minister Nehru of India. The Russians would also extend recognition to the new United States of Indonesia.

(3) Go slow in East Germany. Delay building of a German army in the Soviet zone, then make a further bid for German unity.

BUSINESS ABROAD

THE SECRETARY, State's Acheson, held trumps in Formosa battle, against . . .

THE SENATOR, California's Knowland, who backed the "Arm Formosa" stand of . . .

THE GENERAL, Douglas MacArthur. The military felt island could be defended.

Asia Plan: Forget Formosa, Beef Up South

U. S. policy will build on new independent nations in Southeast Asia in struggle to contain Chinese communism.

"The United States government will not provide military aid or advice to the Chinese forces on Formosa."

With that statement, President Truman last week settled the battle of Formosa. The winner: Secretary of State Dean Acheson. The losers: some military strategists, often linked with Gen. Douglas MacArthur, and a vocal minority of Republican congressmen.

• **The Stakes**—A lot more than Chiang Kai-shek's island redoubt was at stake in the battle. The State Dept.'s whole approach to the Far East would have been knocked skyhigh by continued U. S. aid to Chiang. And such aid, coming on the eve of British recognition of the Chinese Communists, would have meant a serious split within the western allies.

Acheson won his victory at a meeting of the National Security Council on Dec. 29. He warned the President that, if more aid should go to the Chinese Nationalists, the U. S. would have to be prepared, as a last resort, to go to war to hold Formosa.

But the danger of war wasn't Acheson's real case against the Formosan adventure. The Secretary argued that the rescue of Formosa would:

Make all Asia suspicious of American imperialism just at a time when the U. S. should be allying itself with the new Asian nationalism.

Alienate the leaders of Asia's new independent nations, men such as Prime Minister Nehru of India and Premier Hatta of Indonesia.

Divide our policy from that of Britain and other western European nations, thus putting an end to joint efforts for economic recovery in the Southeast Asia area.

Acheson didn't stop there. The President had demanded a "positive policy" right away. Acheson didn't have that, but he could trot out some of the State Dept.'s thinking.

• **Strategy**—The over-all strategy would be the same as in Europe—containment of communism within its present borders. To that end Acheson talked of military and economic aid to Indo-China, Indonesia, Korea, and the Philippines.

Significantly, no mention was made of India, Pakistan, Burma, or Malaya. Presumably action along the western periphery of the Chinese mainland is to be left to Britain.

Roughly, here is what you can expect by way of U. S. moves:

Indo-China. Washington will recognize the French-sponsored Viet Nam state as soon as the French Parliament ratifies the new constitution. Some of the $75-million arms aid for Asia, voted by Congress last session and still unearmarked, may go to bolster 140,000 seasoned French troops in the country. Economic aid to Indo-China by way of ECA is in the cards, too.

Indonesia. The U. S. will push loan applications from the new United States of Indonesia at both the Export-Import Bank and the World Bank. Defense problems will be up to the Dutch, primarily. Under the Hague agreement, which created U. S. I., the Dutch retain command of the naval base at Soerabaja on the island of Java.

Korea. The Administration will press hard for $90-million in ECA funds to keep alive the embattled government of South Korea. A small amount of arms aid is already available from the last session of Congress.

Philippines. More economic aid to the Philippines is being considered. Coordinated defense plans are also in the making. But no definite proposals have come to light yet.

• **Waiting**—Part and parcel of Acheson's "recovery" plan for Asia is U. S. recognition of the Chinese Communists. State officials, still very afraid of a public reaction, continue to say the question is "premature." But actually it's just another question of waiting until the dust settles—on Capitol Hill, this time.

Acheson's Far East plans won't stand much scrutiny yet. The French government, for instance, still faces opposition over its plan to create the new Viet Nam state in Indo-China. So far the French Socialists say they would rather do business with Ho Chi Minh,

Moscow-trained leader of the Viet Nam independence movement. U. S. action will have to wait until the dust settles here, too.

Finally, before Acheson's plans get out of their swaddling clothes, they will have to be O.K.'d by Dr. Philip Jessup. Jessup returns from his Far East mission around the first of March. His views will carry a lot of weight around the State Dept.

• **Ceiling Zero**—So about all that can be said is that the State Dept. has made a start toward a Far East policy. But that's a big improvement over the past few weeks when the ceiling at Foggy Bottom, as the State Dept. is known locally, reached an all-time low.

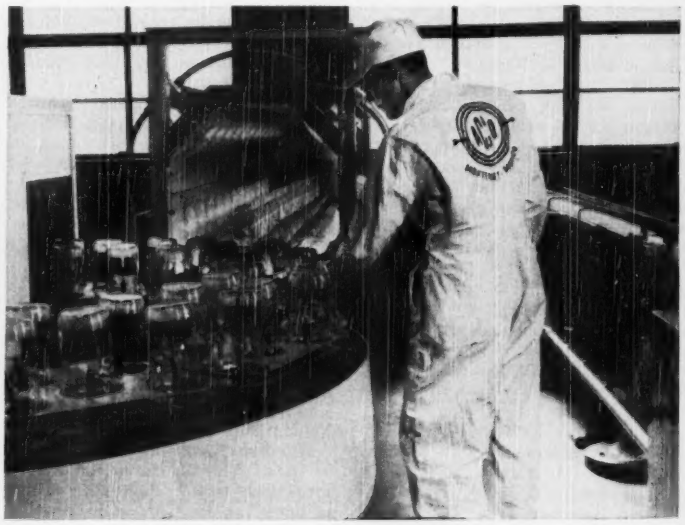
First, the Joint Chiefs of Staff, undoubtedly inspired by Gen. MacArthur, had second thoughts about Formosa. The island lies a hundred miles off the coast of China, 220-odd miles north of the Philippines. The brass now decided it could and should be defended. All it would take would be a minimum of U. S. military advice and a few U. S. guns, they said.

Republican junketers to the Far East, including California's Sen. Knowland, took up the cry for the generals. Other Republican critics, going much farther than the military wanted to, asked the U. S. Navy to defend the island. This latter suggestion was never taken seriously in any official quarters, but it succeeded in adding to the general confusion.

London quarters became alarmed. On the eve of British recognition of the Chinese Communists, they feared the U. S. would take off in the opposite direction. Finally, confusion reached its height when a secret State Dept. position report anticipating the fall of Formosa to the Communists "leaked" out in Tokyo. Coming to light in MacArthur's own bailiwick, the document was interpreted as evidence of a deep split in the Administration over the Far East. Actually the document was a routine instruction to foreign service personnel.

• **Changed Plans**—Acheson had planned to make known his decision on Formosa after he had met with congressional foreign policy makers this week. Bipartisan support for U. S. foreign policy is a mere shadow of what it once was. Acheson didn't want to make matters worse by going to the public before he went to Congress.

But, according to Acheson, "leak and counter-leak, gossip and counter-gossip," had caused a "great deal of confusion in the minds of our own people and of foreign people." The U. S. was forced to go on record right away—even at the cost of another blow at our bipartisan foreign policy. Acheson's fence-mending job on Capitol Hill will be all the harder.



Packaging Mayonnaise for Mexicans

Mayonnaise, peanut butter, and high-grade margarine are foods unknown to most Mexican housewives. But Anderson, Clayton & Co. plans to change all that. Next week ACCO starts production of these items, plus cooking oils, in a new $2.5-million plant at Monterrey, near the cotton-growing area of northern Mexico. Equipment, like this bottling machine, is the latest U. S. type. This is ACCO's second food-processing venture in Latin America. The first was in Brazil.

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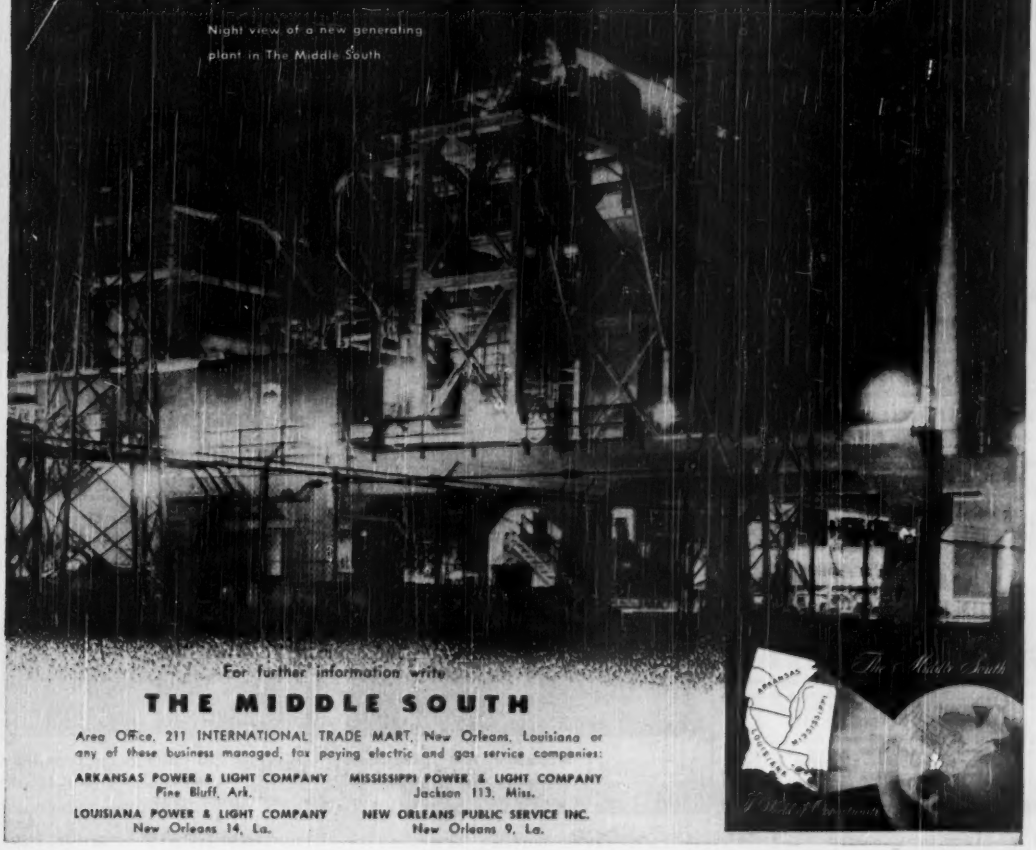

Night view of a new generating plant in The Middle South

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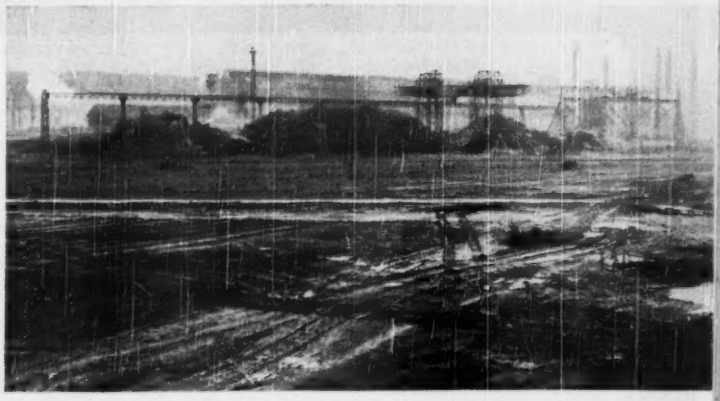
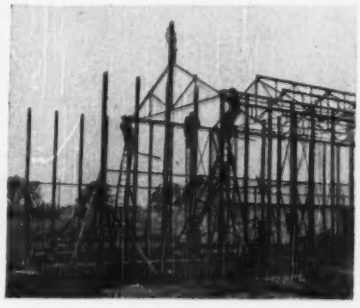
New French Steel Mills Soon



LAYOUT Criss-crossed with bulldozer tracks, this vast plain near Metz is being flattened for foundation of France's—and Europe's—biggest continuous strip mill.

SPEECHES French Foreign Minister Schuman (right) and U. S. Ambassador Bruce (left) praised mutual aid on the steel project at dedication ceremonies, Dec. 23.



HOUSING Settlement now being built near mills will house approximately 1,100 employees.

TOOLS Marshall Plan purchases, like th "cat," will help build and equi the new French mills.

to Rival Ruhr

ECA and French government funds are behind $133-million worth of installations including Europe's biggest continuous mill.

Two days before Christmas, some top U.S. and French government officials (U.S. Ambassador, David K. E. Bruce and French foreign minister, Robert Schuman among them) left Paris on a one-day junket to Metz in eastern France. Reason for the trip was the kickoff of construction on a $133-million expansion of France's steel industry.

When this project is completed (sometime during 1953), France will have the largest continuous strip mill on the European continent. And West Germany's Ruhr steel producers will be up against stiffened competition from the French.

The mills are being built in the heart of Lorraine's iron basin in the towns of Hayange, Ebange, and Seremange, near Metz. They will be owned by a private corporation—Sollac, short for Societe Lorraine de Laminage Continu—which in turn is owned by nine leading French steel producers.

• **ECA Money**—The project is largely financed by loans from the French government with aid from ECA. Of the total $133-million investment, ECA is supplying almost $50-million, which is being used to buy rolling-mill equipment from the U.S.

An order for more than 25,000 tons of equipment from the U.S. went through early last summer (BW—Aug. 20'49,p104). Some companies that got the contracts: Westinghouse Electric Corp.; Continental Foundry & Machine Co.; United Engineering & Foundry Co.; Wean Engineering Co., Inc.; Mesta Machine Co.; E. W. Bliss Co.; General Electric Co.; and Morgan Engineering Co.

Included in the Sollac project are these new plants:

(1) A continuous 80-in. hot strip mill at Seremange with a maximum capacity of 900,000 tons a year.

(2) A continuous cold strip mill at Ebange (linked by rail with the Seremange mill a mile and a half away).

(3) An 84-oven coke plant with a capacity of 500,000 tons of crude steel a year.

(4) A 45-in. x 115-in. blooming mill with a yearly capacity of 1-million tons.

(5) New housing for the 1,100 workers who will be employed in the mills.

• **Big Savings**—Sollac is counting on this expansion—with up-to-date U.S. equipment—to make some real im-

provements in production efficiency. It expects an over-all saving of 80% on labor—a short commodity in France's steel industry. Sollac also estimates it will save 40% on fuel and 10% on electric power used in sheet manufacture.

Lebanese Are Cool To U.N. Hydro Proposal

BEIRUT—Like most Middle East countries, tiny Lebanon suffers from a lack of natural resources. Those few it has have long remained underdeveloped. For example: The country has some of the richest potential water resources in the Middle East.

• **Project Recommended**—This week Lebanese officials were cautiously examining recommendations for a new hydro-electric project. It popped up in a report by the United Nations Economic Survey Mission for the Middle East, headed by TVA chairman Gordon Clapp. The Clapp group outlined separate projects for Trans-Jordan, Arab Palestine, Syria, and Lebanon. Basically, they were designed to give relief work to the 900,000 poverty-stricken Arab refugees now homeless in those countries. For Lebanon it urged building a series of dams in the Litani valley. Hydro stations could make up to 750-million kwh. of electricity a year.

Despite the fact that such a project might provide a basis for expanding Lebanon's meager industry, Lebanese officials displayed little enthusiasm over it. They would have preferred the proposals to come from home ground.

• **Problems Unsolved**—An agricultural country (crops: olives, citrus fruits, hashish) with little to export, Lebanon suffers under a heavy adverse balance of trade. The country's climb toward economic stability, since it was transformed, in 1941, from a French mandate into an independent nation, has been long and hard. First came World War II, and a strong dose of inflation. Then came the war with Israel, which cut the country off from one of its most important trading areas—and added 97,000 Palestinian refugees to its ranks of unemployed. (Unofficial estimates place these as high as 100,000.)

There are people in Lebanon who would welcome such projects as the Litani dam. They know the country would be better off in the long run with a stronger industrial backbone. One drawback is Lebanon's traders, the richest part of the country's economy; they shy away from investing capital in stock companies that would return them only 6% or 10% a year. They prefer to make quicker, and bigger, profits, financing trading throughout the Middle East, and in arbitrage deals.

BUSINESS ABROAD BRIEFS

Talk of a tariff cut on Turkish tobaccos has Richmond cigarette makers figuring on a saving of $1.8-million a year. They paid more than $5.3-million in duties last year, based on a tariff rate of 30¢ a lb. The rumored cut would bring the tariff down to 20¢ a lb.

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First Canadian telecasts are scheduled for summer, 1951. The publicly owned Canadian Broadcasting Corp. will start TV transmissions in Toronto and Montreal, reaching an estimated 56,000 sets.

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Mexican cotton fields at Matamoros (across the border from Brownsville, Tex.) are slated for a long drink. The Mexican government has O.K.'d construction of a $9-million irrigation canal to feed 600,000 acres. The job will be finished in 1951.

•

A Colombian sales tax on drugs will finance a new public health program. Rates have been set at 5% on curative drugs and prepared foods, 10% on other pharmaceuticals, 25% on cosmetics.

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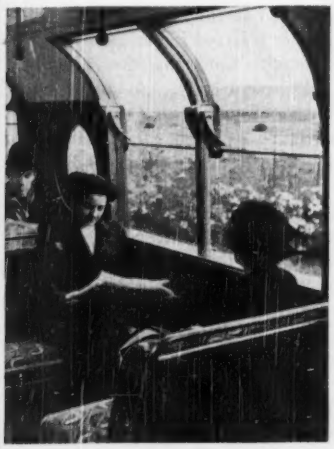
Streptomycin for France: ECA has guaranteed convertibility of $175,000 of Heyden Chemical Corp.'s receipts from a new $100,000 French streptomycin plant.



An End to Subway Stoop

London's subway system may not be the fastest in the world, but it probably is one of the plushiest. Right now it is trying the idea of wider windows, curved around the side of the car. Besides letting in more natural light (when the train is running on the surface), the windows give straphangers a chance to read station names without bending down and craning to see out.

ADVERTISERS IN THIS ISSUE

Business Week—January 14, 1950

Too Many Deficits During Prosperity

President Truman has submitted a budget for fiscal 1951 showing expenses of $42-billion and income of $37-billion. It is a well-organized budget message, excellently presented. Elsewhere we give an analysis of the principal items (page 25).

The one overwhelmingly significant thing about this budget—the fact that dominates all others—is that the federal government for the second year in succession expects to have a deficit or more than $5-billion. Set against the background of current economic conditions and seen in the light of the President's own rosy forecasts, this latest budget is a clear sign that our federal government has abandoned itself to a policy of habitual inflation.

We are not die-hard budget balancers any more than we are blue-nosed teetotalers. Debt, like drink, has its uses. There are times when a little deficit can do no harm and may do some good. These are not such times.

War and Depression

In a period of war, a budgetary deficit is unavoidable. It is, in fact, well-nigh essential. The vast industrial engine of modern warfare must be lubricated by the oil of easy money.

In times of depression, a deficit is excusable. In such times it may definitely be preferable to go into debt rather than to increase taxes. The problem then is to float the economic ship off the rocks of deflation; a little fiscal looseness may help turn the trick.

But we are neither in a shooting war nor are we in a depression. We are, according to all signs, in the early phases of a secondary postwar boom. Just such a boom, incidentally, culminated, twenty years ago, in the crash of 1929 and the Great Depression.

The U. S. industrial machine needs no artificial stimulus to start it going or keep it going in the coming year. It does need the assurance of a stable monetary system.

A chronically unbalanced budget carries with it the threat of chronic inflation, erratic tax increases, and monetary instability. Under the circumstances, nothing could be worse for business.

If ever there was a time for budget balancing, this is it. If ever a government too long addicted to debt is going to pull itself together, now is the time.

In his message on the State of the Union and in his Economic Report, President Truman painted a glowing picture of the future. It was like the story of Cinderella brought up to date and made universal. All of us—yes, you and I, and even Little Businessmen—are going to ride in a pumpkin coach and live in a crystal palace and dance the night away. We shall count our income by the trillion and even the average man will have a thousand dollars a month to spend.

We do not quarrel with the President's goals. There is no reason why the gross national product of this country should not reach a trillion dollars before the century expires. There is every reason to hope and believe that all Americans can continue to look forward to a rising standard of living, greater comforts, greater leisure, greater security. But it would be a bitter thing if we should reach the President's goal of $12,000 annual income for the average man by the age-old process of inflation. That is the route we are now following.

The Wolf Always Comes

Too often over too many years conservatives have raised the cry of "wolf" over budgetary deficits; but it should never be forgotten that in the old story the wolf finally came.

One deficit does not make a crisis. The United States is a strong country. It can stand an uncommon amount of fiscal debauchery. How much, no man can guess. But the world is littered with the wreckage of great nations which have drawn too heavily upon their reserves and ultimately have had to face this reckoning: a debt too heavy to bear; a tax burden that crushed incentive; and a currency that was no longer esteemed, either at home or abroad.

Only Two Ways Out

There are two ways—and only two ways—in which we can avoid a federal deficit in the coming year. One is to raise taxes. The other is to cut federal spending.

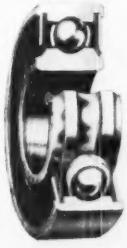
President Truman seems to think that over a period of years another way will present itself. He implies that after a while, the country will grow up to the budget—that national income will increase enough to raise tax yields and bring receipts into balance with expenditures. That sort of thinking is dangerous. To be sure, the country will grow and grow rapidly in the future. But the sort of expansion that a deficit breeds is not true growth. It is simply monetary inflation—fictitious growth. For inflation will blow up the federal budget as fast as it blows up tax yields. On that basis, we never will reach a balance.

Of the two immediate alternatives, we reject the idea of increasing taxes. The country's tax load already is perilously heavy. We can bear it for another year, or two years, or perhaps any limited period of time. But we cannot bear it indefinitely without stunting the very growth that President Truman is counting on.

The only safe course open to us, then, is to cut federal spending. This is no easy job. But it can be done.

The current budget is a confession that our government has become a fiscal weakling, unable to resist the easy temptation of habitual deficit spending. It is a budget that calls for sharp rebuke, because it reflects no real effort to do better.

They won't make a *Grease monkey* out of your wife



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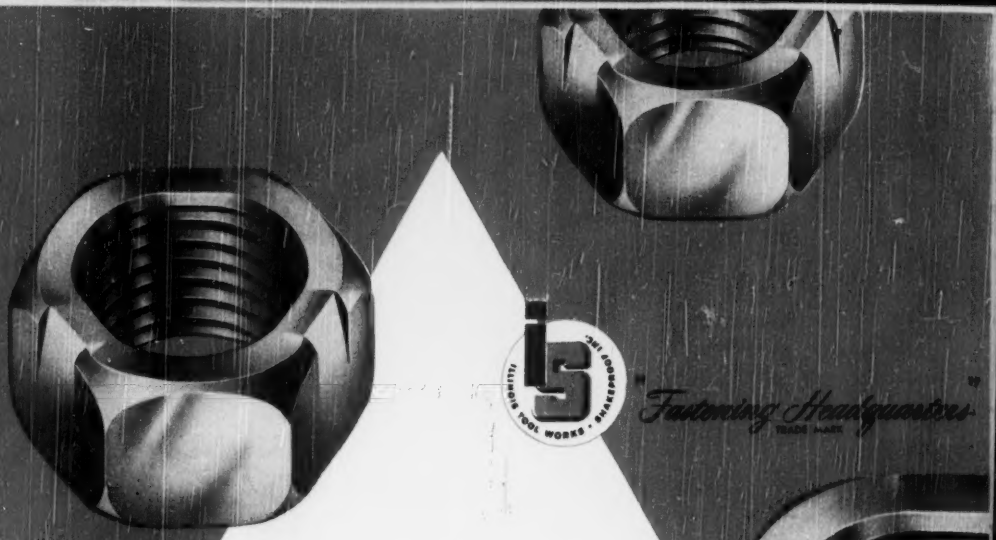

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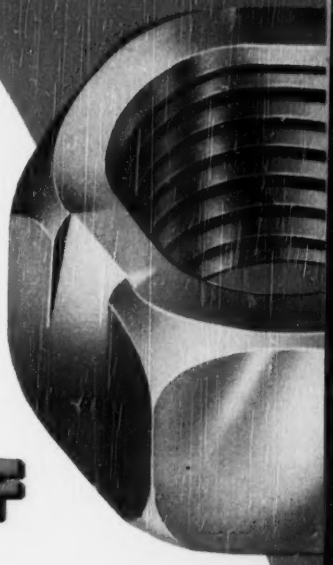

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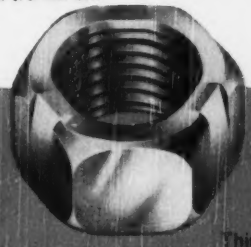

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This newest member of the Shakeproof line of engineered fastenings offers industry many outstanding advantages in both assembly efficiency and in product performance. It is a "free-starting" nut that assembles quickly, holds tightly with a powerful thread-gripping action, and, can be re-applied repeatedly.

Shakeproof engineers, ever mindful of the high standards they have set in fastening development, experimented with many similar principles before adopting this device. It is typical of the careful, thorough and practical approach Shakeproof uses in meeting the fastening needs of America's mass-assembly manufacturers!

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